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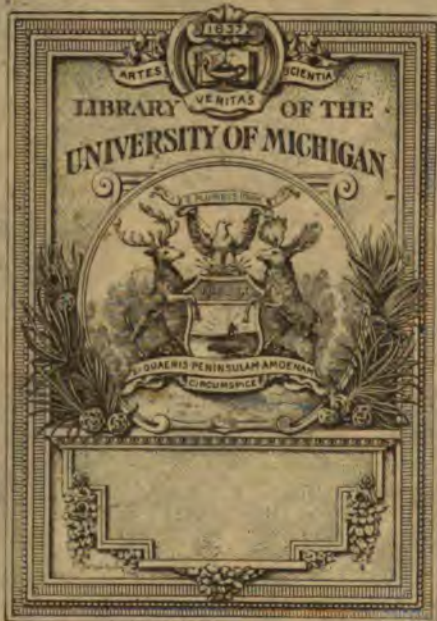
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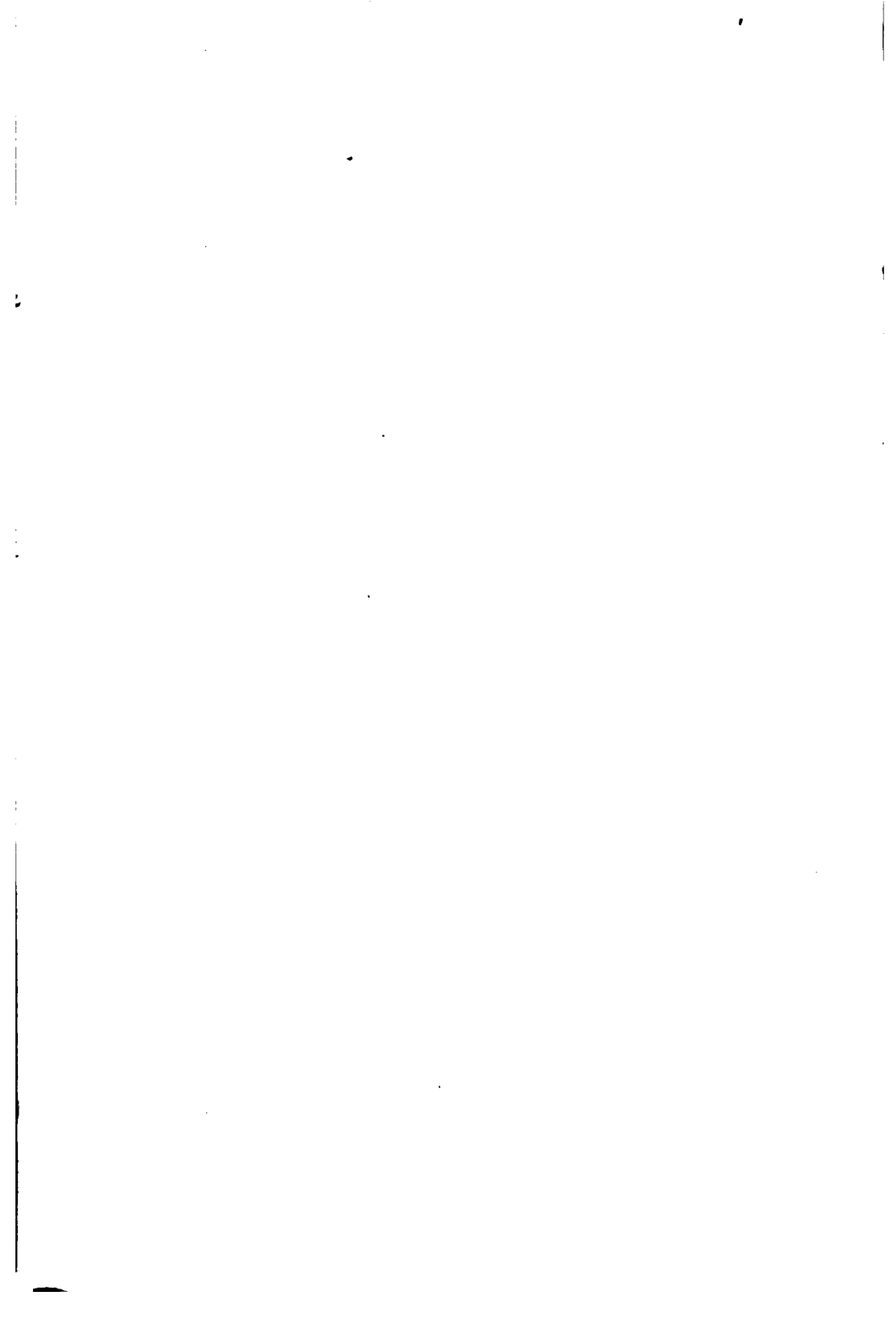




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JOURNAL  
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CANADIAN BANKERS'  
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VOLUME III

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#### CORRIGENDA

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On p. 14, line 8, read *1,000 fcs.* instead of *100 fcs.*

On p. 14, line 9, read  $\frac{1}{3} \text{‰}$  instead of  $\frac{1}{3}\%$ .

On p. 277, line 2, read *rulers* instead of *rules*.

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# JOURNAL

OF THE

## CANADIAN BANKERS' ASSOCIATION

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OCTOBER—1895

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### THE BANK OF FRANCE\*

#### I

OF the great financial establishments of the world the Bank of France is unquestionably one of the most important, one of those whose influence on international affairs is most extensive. The large volume of its note circulation, of its metallic reserve, justify and more than justify the estimation in which it is held. But to understand its preponderating position in France some details as to the organization of credit are necessary.

The business of banking as understood in France embraces not only everything that pertains to loans, discounts, collection of drafts, demand and time deposits, but also the operations of the Bourse for cash or for account, continuations, and, for establishments of the first rank, the issue of public loans. According to the locality, and to the resources of those engaged in the occupation, those who take the name of bankers engage in some or all of these operations, the degrees being naturally numerous, from the financial establishment which can take on its own account an important share of a public loan, to the

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\*Translation from the author's MSS. written in French.

money-lender established in the chief town of a district, whose clientele is spread over an area of several leagues. Taking the title in this general sense, the number of bankers in France is considerable, and, including agencies or branches, the total would probably reach about three thousand.

Apart from the *Crédit Lyonnais* and the *Société Générale*, whose agencies are scattered throughout the whole country, and the *Comptoir Nationale D'Escompte de Paris*—which for some time past has appeared to be adopting the same policy—the banks having branch offices are few, and amongst those operating thus the agencies rarely number more than three or four, being in all cases distributed in the Department where the head office is situate, or the neighboring Departments. Only the more important of the provincial banks, however, manage to establish branch offices in Paris.

These branches have naturally more intimate relations with their head office and among themselves than exist between correspondents, but they have nevertheless to act in many respects as independent establishments, especially in everything pertaining to receipts and payments. In France, even in large towns and by merchants doing a business of respectable proportions, the banker is often dispensed with. He is applied to with regard to the collection of bills, and for advances when they are required, but all payments are made at the office of the merchant or manufacturer, and it is there that at maturity his obligations must be presented. But besides this, whether use is made of the banker or not, there is not the centralization of payments that is to be observed in England, and as all or nearly all bills are domiciled in some town where the Bank of France has an office, to make them more readily negotiable, there results from this an employment of money, real or fiduciary, very large in proportion to the volume of transactions effected.

Now if, for the negotiation of first class long dated bills, of that which constitutes choice paper, the Bank of France is successfully competed with by the large financial establishments, who find it of advantage to take these bills at  $\frac{1}{4}\%$  or even  $1\%$  below the Bank rate, it is not so in the case of discounts having principally for their object the supplying of the needs of clients, or the provision of funds for maturing bills. The bills dis-

counted for these purposes are of short date, but it is the Bank that is applied to ; it is sufficient to compare the balance sheet at the moment of the issue of a public loan or during a crisis to recognize with what eagerness the facilities offered by the Bank are availed of.

In France, as in all other countries, cash transactions (leaving the retail trade out of account) represent a very small part of the whole ; the greater portion of business transactions are settled for periodically, the terms varying according to the custom obtaining in the trade or industry concerned. Settlement is made by means of a bill drawn on the debtor payable at his residence, and occasionally at his bankers. As these bills are payable at all points, there results a very large circulation of values in this shape, which at all times amounts to hundreds of thousands of drafts ; many banks find, too, in their collection—that is, in the gathering together of these bills receivable and their transmission to the points where they are to be paid—a source of business and of profit which is not to be despised. The merchants or manufacturers, drawers of these bills or holders of them by endorsement, remit them to their bankers, who make advances upon them, without waiting for maturity, of the face amount or less, according to the credit of their client ; credits established thus, although not representing a debit balance in current account, often attain considerable figures. Whenever for any reason the banker wishes to repossess himself of capital thus temporarily invested, their rediscount at the Bank of France affords him always—to the extent at least of the credit afforded him—an easy means of attaining this result ; furthermore, this rediscount, or even the transmission of the bills for payment, relieves him from the trouble of collection at all points where there is an office of the Bank of France, removing at the same time all the risks of remittance. These facilities are not confined to bankers, and merchants and manufacturers who furnish the security required by the Bank profit by them in the same way.

Advances upon securities, and better still, advances on current account, are also frequently made. These advances on current account, which permit from 60 to 80 per cent. of the value of the securities deposited to be drawn for a minimum of

five days at least, offer an easy means of employing unused money on securities of the first rank, as, for instance, that which constitutes the reserve, whilst keeping it within reach in case of need at short notice, or keeping it employed for a longer period at will.

The Bank issues cheques and certificates of transfer upon its branches or agencies, generally without other charge than the cost of the stamp, in consideration of the advantages derived from the accounts. Cheques upon the Bank are made use of in the customary way, but always with this distinction, that they are not marked good by the Bank unless the sum is really at the credit of the account, and there is then no question of their payment.

Certificates of transfer, or transfer orders (*les bons de virement*) permit a sum to be passed from one account to another, whether in the same place or in different places; they constitute a means of settlement which is employed by preference between bankers, and also a valuable instrument of liquidation for the operations of the Bourse.

If it be added that the Bank of France handles the moneys coming from the receipts of the Treasury, placing against them at the disposal of the officers of that department the funds which they require for the performance of their functions, it will be seen that the Bank of France plays in effect the role of clearing house for the whole of France, securing and facilitating the circulation of capital throughout the country.

## II

The fall of Law's bank and the financial troubles consequent upon it, destroyed for a long time in France all confidence in banks of issue; and it was not until half a century later that there was founded in Paris, in 1776, La Caisse d'Escompte, a bank having the right of issue, which disappeared, however, in 1793. Some years later we find as banks of issue: La Caisse des Comptes Courants (1796), La Caisse D'Escompte du Commerce (1797), Le Comptoir Commercial (Caisse Jabach) (1800), La Factorerie and some other establishments of lesser



importance, but in 1800 La Caisse D'Escompte amalgamated with the Bank of France, then in course of formation and definitely established 13th February, 1800 (24 Pluviose An VIII). On 14th August 1803 (24 Germinal An XI) the Bank of France obtained, dating from 24th September, 1803 (1 Vendemiaire An XII), the exclusive privilege of note issue, and the other Parisian banks found themselves therefore under the obligation of retiring their notes. This privilege, granted originally for 15 years, was successively renewed in 1806, 1840, 1857; it ends, unless further renewed, 31st December, 1897.

The law of 14th April, 1803, had fixed the capital of the Bank of France at 45,000,000 fcs., which the law of 5th August, 1807, increased to 90,000,000 fcs., but a redemption of shares authorized by the law of 4th July, 1820, reduced the capital to 67,900,000 fcs. In 1848, as a consequence of the absorption of the Departmental banks, an increase of 23,350,000 fcs. was authorized. Then by the law of 9th June, 1857, the doubling of the capital was ordered, since which date the capital of the Bank, outside of the reserve, has been 182,500,000 fcs. This capital is represented by 182,500 shares of 1,000 fcs. each, fully paid-up and transferable from name to name, and which can by special provisions be transferred *en biens immobiliers* (that is, made transferable under the same conditions as real estate), and may even be made altogether inalienable.

In creating the Bank of France Napoleon had in view the formation of a Credit establishment which would facilitate the operations of the Treasury, and above all furnish the advances necessary to the Government. In the year 1806 an operation of this kind made it necessary for the Bank of France to suspend or postpone in part the payment of its notes; in 1814, in consequence of the discounting of paper of the Government or of the Treasurers-General arranged for in the preceding years, and afterwards renewed, a similar measure had again to be adopted.

Since then the Bank of France has rendered to the Treasury numerous services, and made a succession of important loans, but under such conditions that its position could be in no way compromised by them.

The crisis of 1818 forced the Bank to have recourse to the

plan that it then adopted, instead of altering the rate of discount, namely, the reduction of the currency of the paper discounted. This was lowered to 60 days, then to 45 days. It was raised afterwards to 90 days, and was kept at that until 1875.

The organic statutes of the bank had provided for the opening of branches, but the Royal ordinance of the 25th March, 1841, while suppressing almost entirely all governmental interference, had modified these provisions. The branches opened in 1809 at Lyons, Lille and Rouen had been rapidly liquidated, and it was not until much later that other branches were established, but in 1841 six only were in operation; fifteen new branches were established from 1841 to 1848.

The crisis of 1847 was the cause of serious trouble to the bank. To facilitate and augment its circulation, notes of 200 fcs. were authorized. The rate of discount had to be raised from 4 to 5 per cent.; but a sale of 50,000,000 fcs. of rentes made to the Russian government gave the Bank sufficient available funds to enable it to dispense with other means.

The revolution of 1848, and the financial troubles which ensued, brought upon the Bank graver difficulties than those of the preceding year. Under stress of numerous demands from its creditors the Bank had to ask the provisional government to give their notes a forced currency (*cours forcé*), (15th March, 1848), the issue being limited to 350,000,000 fcs. Notes of 100 fcs. were at that time authorized. Some months later, because of the difficulties in which the Departmental banks found themselves, their suppression was decided on; they were transformed into branches of the Bank of France, which thus obtained the privilege of issue over the whole country.

The authority granted the Bank to suspend payment of its notes in specie was repealed in 1850, but the Bank had resumed payment in June, 1848. In 1854 the Bank abandoned the system of a fixed rate of discount, which it had maintained almost without interruption since its foundation. During the crisis of 1877 the Bank found it necessary to raise its rate of discount to 10% in November, to drop it speedily to 6%, then to 5% in December.

The Bank of France had to bear as best it could the misfortunes of 1870-71. To provide for the necessities of war

the Imperial Government, and later that of the *Défence Nationale*, obtained numerous loans, which grew to the total amount of 1,530,000,000 fcs. which was the figure established as due by the law of 21st June, 1871. On 12th August, 1870, the suspension of payment of its notes in specie was again authorized; the issue of notes of 5, 20 and 25 fcs. was also decided on. At the time of the Commune the Bank advanced a sum of 7,293,383 fcs. which was never repaid to it.

The suspension of specie payment was brought to an end by law on 3rd August, 1871, but long before that the Bank had resumed payment in specie.

Since that period the Bank has not ceased to give its support to all the operations of the Government Treasury, at the same time taking every means of affording to commerce all due facilities. The growth of its discount operations and of its current accounts give the best of all proofs of this.

### III

The Bank of France is a private corporation, but in consequence of the privilege conceded to it, it is not entirely free from governmental supervision, which is exercised in the appointment of the Governor and of the Directors. The general control of the Bank is vested in the Governor, assisted by two sub-Governors. All three are appointed by a decree of the President of the Republic, on the recommendation of the Minister of Finance; the Governor must be the owner of 100 shares, the sub-Governors of 50 each. The Council of Regents, which is charged with the administration of the affairs of the Bank, is composed of fifteen members, with whom are associated three Censors; Regents and Censors are chosen from the General Assembly, composed of the 200 largest shareholders. Three of the members of the Council of Regents must be chosen from among the officials of the Finance Department having charge of Treasury payments (*Trésoriers payeurs Généraux*). The Governor, sub-Governors, Regents and Censors form the Council-General of the Bank, to which belongs the right of deciding all questions pertaining to the bank. Regents and

Censors form, from their combined body, the different sub-committees of the cash, the bill department, the records, etc., which are charged with the examination and direction of the different departments.

The lists of bills offered for discount (*bordereaux d'escompte*) are submitted, for information as to the credit of the names, to the members of the Committee of Discount, which is composed of twelve men chosen from the shareholders who are engaged in business in Paris, and appointed by the Council-General on the recommendation of the Censors. The functions of the Committee of Discount are exercised by three of its members, who are nominated in turn to act for the space of a fortnight at a time.

The branches are managed by an officer bearing the title of Director, assisted by Administrators and Censors. The Administrators must number six at least and twelve at most. The Director is named by a decree of the President of the Republic, upon the recommendation of the Minister of Finance, after presentation of three candidates by the Governor; the Administrators and Censors are named by the Council-General. The Director must be the owner of fifteen shares; the Administrators and Censors must possess four each.

The Director, the Administrators and the Censors manage the branch, and promote measures which they think calculated to develop its business. The Administrators in turn form the Committee of Discount, to which is submitted the list of bills presented by discount customers.

The sub-branches, *Bureaux Auxiliaires*, are in effect equivalent to branches of the Bank, but are established as the Council-General deems necessary, and without the Government intervening in any way in the appointment of those who manage them. Their operations are merged in those of the branch to which they are attached.

*Les Villes Rattachées* (attached towns) are generally offices open for counter business only, on the 5th, 10th, 15th, 20th, 25th and last day of each month, or on the preceding day when any of these days fall on a holiday. The offices are attached to a branch or sub-branch.

And finally, under the name of *Places Réunies*, the Bank designates communities which it regards as dependent upon a town where there is already a branch or a sub-branch. Bills and notes payable at a *Place Réunie* are discounted on the same terms as those on the town on which it is dependent.

On 31st December, 1894, the banking points of the Bank of France numbered 259, as follows :

- 1 Head Office,
- 94 Branches (*Succursalles*),
- 38 Sub-branches (*Bureaux Auxiliaires*),
- 105 *Villes Rattachées*,
- 21 *Places Réunies*.

The business of receiving and paying money, deposits, advances on securities, etc., are effected without it being necessary to furnish references other than is customary in banks ; but no one can arrange for the opening of a discount account except upon application to the director of the branch, and the production of a certificate signed by three discount customers, attesting the commercial integrity of the applicant.

#### IV

As has been already said, the Bank of France has since 1848 had the exclusive privilege of issuing notes payable to the bearer at sight, that is to say bank notes, in which matter the only restriction is the maximum limit established by law. This limit has been successively increased ; fixed at 350 millions by the decree of 15th March, 1848 ; at 452 millions on 2nd May of the same year ; 525 millions by the law of 22nd December, 1849 ; it disappeared in 1870, when the law suspending specie payment of notes was repealed ; the law of 12th August, 1870, had fixed it at 1,800 millions ; that of 14th August brought it to 2,400 millions ; it reached 2,800 millions on the 29th December, 1871 ; 3,200 millions on 15th July, 1872 ; 3,500 millions on 30th January, 1884 ; and finally a total of 4,000 millions (4 milliards), established by the law of 24th January, 1894.

Although it has not reached the last total, the circulation of

the notes is generally very much above the old maximum of 3,500 millions. On 31st January, 1895, the date of the last report, it reached 3,749,721,650 francs, as follows:

5 notes of 5,000 fcs. ....	25,000 fcs.
1,339,502 " " 1,000 " .....	1,339,502,000 "
525,642 " " 500 " .....	262,821,000 "
2,372 " " 200 " .....	474,400 "
17,657,163 " " 100 " .....	1,765,716,300 "
7,561,192 " " 50 " .....	378,059,600 "
16,919 " " 25 " .....	422,975 "
77,508 " " 20 " .....	1,550,160 "
144,208 " " 5 " .....	721,040 "
1,214 of old issues.....	429,175 "

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3,749,721,650 fcs.

When the law was passed in 1870 authorizing the Bank to suspend payment of its notes in specie, the Government created them at the same time a legal tender, permitting all payments to be made in Bank notes, notwithstanding any stipulations to the contrary. The law of 3rd August, 1875, repealing the suspension of specie payments (which no longer existed, except in name), did not repeal the legal tender clause, which has, therefore, remained as one of the properties of the notes of the Bank of France.

There is no regulation as to the amount of the cash reserve, nor as to its component parts, whether in gold or in silver; all that is left to the care of the management of the Bank. The cash reserve has steadily increased during the last twenty years, and for a long time has been almost equal to the total amount of notes outstanding. The cash reserve amounted to 3,342 millions on 24th January, 1895, after having oscillated during the previous term from 2,951 millions at the minimum, to 3,304 millions at the maximum.

Discount operations form one of the most important functions of the Bank, and are the source of a large part of its profits. In accordance with the statutes bills and notes discounted must have at least three signatures, or two signatures only when they are accompanied by a deposit of securities, or a pledge of merchandise; they must be payable in one of the places where the Bank has an agency; notes for the smallest sums are received, but the Bank makes a minimum charge for

interest on each bill, and there is a minimum for the total amount of each list (bordereau) submitted for discount.

The increasing number of discounted bills, and the decreasing average amount of the bills, show better than all theoretical considerations that as the Bank extends its agencies it recruits its clients from among the smaller bankers, the manufacturers, and the merchants, whose transactions could alone give rise to these small notes. Here, for the last ten years, is a statement of the number of discounted bills, and the average amount of the bills :

	Number of Bills	Average
1885.....	11,660,589	798 fcs.
1886.....	11,377,405	730 "
1887.....	11,579,661	714 "
1888.....	11,958,143	718 "
1889.....	12,368,431	742 "
1890.....	12,583,225	757 "
1891.....	12,277,234	750 "
1892.....	13,089,468	642 "
1893.....	13,425,904	661 "
1894.....	13,489,506	646 "

The results for Paris, where complete statistics are published every year, show better still how the services of the Bank of France are utilised, the number of bills discounted for a less sum than 100 fcs. increasing from year to year. Here are the figures of the notes discounted in Paris for the last ten years :

	Number	10 fcs. and less	11 to 50 fcs.	51 to 100 fcs.	Above 100 fcs.	Total in millions of fcs.
1885..	5,017,904	14,106	656,980	919,753	3,427,065	3,970.9
1886..	4,966,581	13,528	638,876	940,271	3,373,906	3,810.1
1887..	5,188,490	13,755	677,590	977,455	3,519,690	3,869.7
1888..	5,423,916	17,842	796,577	1,006,054	3,603,443	4,221.9
1889..	5,667,119	19,100	836,417	1,076,072	3,735,530	4,620.3
1890..	5,673,088	23,689	842,933	1,077,059	3,729,407	4,782.5
1891..	5,695,921	19,359	745,500	1,013,751	3,917,320	4,720.3
1892..	5,574,911	26,136	886,149	1,155,792	3,506,834	3,801.4
1893..	5,868,772	26,183	931,002	1,168,292	3,743,295	4,163.3
1894..	5,805,774	31,783	984,496	1,172,678	3,616,817	4,125.0

These discounts cause a movement of specie, but also bring about the issue of transfer certificates for head office and between head office and branches, which are largely utilized by ordinary holders of accounts, especially at Paris, where the Bourse accounts are thus settled. The favorable terms accorded by the Bank of France for these transfers, which are nearly all made

gratuitously, explain their increasing use. The amounts of these transfers for the last ten years are given in the table herewith :

(In millions of francs)			
	Paris	Branches	Total
1885.....	29,059.0	1,308.0	30,367.0
1886.....	34,697.6	854.4	35,552.0
1887.....	31,917.7	806.4	32,724.1
1888.....	36,060.2	832.4	36,892.6
1889.....	40,437.2	854.2	41,291.4
1890.....	42,450.9	879.9	43,330.8
1891.....	47,854.8	890.2	48,745.0
1892.....	36,815.6	635.9	37,451.5
1893.....	37,340.3	750.2	38,090.5
1894.....	45,151.1	1,019.9	46,170.0

The business of advancing on collateral securities is also of considerable importance ; these are given to the Bank either as security for direct advances or for discounts, the deposit of securities taking the place of the third signature required by the statutes. On 24th December, 1894, the securities deposited thus by 13,281 customers numbered 695,977, and there were 115 different species of securities. Their valuation at the Bourse quotations of that day exceeded 550 millions of francs.

Advances, properly so-called, for the period indicated above were as follows, the average rate being also given :

	Total advances in millions of fcs.	Average rate
1885.....	585	4.00
1886.....	993	4.00
1887.....	590	4.00
1888.....	635	3.85
1889.....	713	4.03
1890.....	812	3.62
1891.....	1,980	3.50
1892.....	751	3.50
1893.....	807	3.50
1894.....	1,002	3.50

One easily finds evidence here of the great credit operations which have taken place in these last years, necessitating for several days at a time important movements of funds. The system of advances on securities suits perfectly operations of this kind, and bankers and speculators always have recourse to them, particularly as the rate charged is far from onerous.

On reviewing the totals given already for the different classes of business and adding thereto the transfers and payments in account, it will be seen that the operations in current



accounts must attain annually a very large sum. The amounts for the years 1885-94 are here given, as well as the balance at the end of each year (in millions of francs) :

	Total amount	Balance
1885.....	81,008	396
1886.....	91,033	380
1887.....	85,528	386
1888.....	95,060	428
1889.....	104,525	453
1890.....	108,636	418
1891.....	120,387	430
1892.....	97,429	492
1893.....	97,617	381
1894.....	113,734	451

Among the other duties undertaken by the Bank, the most important, doubtless, is that which pertains to the deposit of securities for safe-keeping ; to show this it is only necessary to note that at the end of December, 1894, the deposits of securities not pledged to the Bank, representing 41,818 accounts, were composed of 4,020,291 bonds or other documents of 2,181 different classes, and the valuation of these at the Bourse quotations exceeded 3,000 million francs. If to these securities are added those which are connected with advances, and the deposits of the same kind effected by the associated stock-brokers, we arrive at a general total of 6,451,727 in number, and 4,500 millions of francs in value.

The banking account of the Treasury, if it does not bring actual profit to the Bank, since its business is done without charge, does not the less show a considerable movement ; here also one finds evidence of great financial operations in different years :

	Millions of Francs
1885.....	5,710
1886.....	8,973
1887.....	5,231
1888.....	5,264
1889.....	5,145
1890.....	5,783
1891.....	9,636
1892.....	6,009
1893.....	7,394
1894.....	7,354

In consequence of the numerous services which the Bank renders gratuitously, whether for the Treasury or for the holders

of current accounts, the profits realized are small in comparison with the sum total of business. It is to be remembered that the Rentes possessed by the Bank figure in its profits for nearly 10,000,000 fcs. The amounts collected by the State for taxes and sundry dues reach and even exceed 2,500,000 fcs.; the stamp duty on the Bank notes amounted in 1894 to the sum of 957,000 fcs., this duty being calculated at the rate of 20 centimes per 100 fcs. on the total amount covered by the cash on hand, and at  $\frac{1}{2}\%$  for the surplus.

(In thousands of francs)				
	Gross Profits, including Rentes owned by the Bank	Expenses of management and taxes, &c., paid to the State	Net Profits	Dividend per share of 1,000 francs
1885 ....	51,658	15,530	36,128	185 fcs.
1886 ....	45,297	15,643	29,654	155 "
1887 ....	44,137	15,372	28,765	150 "
1888 ....	43,847	15,801	28,046	142 "
1889 ....	49,035	15,588	33,447	152 "
1890 ....	46,839	15,931	30,908	157 "
1891 ....	48,990	16,202	32,788	159 "
1892 ....	41,325	16,280	25,045	130 "
1893 ....	40,322	16,439	23,883	124 "
1894 ....	38,789	17,293	21,496	113 "

The security that they offer, and their excellent standing, have caused the shares of the Bank of France to be sought after as an investment at a price yielding a low rate of interest. In July, 1895, in spite of the ignorance as to the conditions on which its privileges will be renewed (in 1897), the shares were quoted at from 3,550 to 3,600 fcs. (355 to 360 per cent.)

G. FRANÇOIS

# PROCEEDINGS OF THE FOURTH ANNUAL MEET- ING OF THE CANADIAN BANKERS' ASSOCIATION

THE fourth Annual Meeting of the Association was held in the Legislative Council Chambers, Parliament Buildings, in the city of Quebec, on Wednesday and Thursday, the 11th and 12th days of September, 1895, the chair being taken by the President, Mr. B. E. Walker.

The following members were represented :—

BANK	REPRESENTED BY
The Quebec Bank - - -	Thos. McDougall
The Union Bank of Canada -	G. H. Balfour
La Banque Nationale - - -	P. Lafrance
The Bank of Nova Scotia - - -	Thomas Fyshe
The Merchants' Bank of Halifax -	D. H. Duncan
The Peoples Bank of Halifax -	John Knight
The Bank of New Brunswick -	Geo. A. Schofield
The Bank of Toronto - - -	Duncan Coulson
The Imperial Bank of Canada -	D. R. Wilkie
The Bank of Hamilton - - -	J. Turnbull
The Canadian Bank of Commerce -	B. E. Walker
The Merchants Bank of Canada -	Geo. Hague
The Molsons Bank - - - -	F. Wolferstan Thomas
La Banque Jacques Cartier - -	A. de Martigny
La Banque d'Hochelaga - - -	M. J. A. Prendergast
La Banque Ville Marie - - -	Wm. Weir

The following Associates in addition to those representing members were present:—Messrs. J. F. Blagdon, Halifax; P. B. Dumoulin, Quebec; Louis de Martigny, Valleyfield; Jeffery Hale, Brantford; M. E. Holden, Brampton; Walter Lawson, Windsor, N.S.; N. Lavoie, Quebec; Herbert Lockwood, Montreal; W. M. Massey, Quebec; J. C. More, Quebec; Colin McCuaig, Woodstock, Ont.; F. G. Oliver, Berlin; E. L. Pease, Montreal; J. B. Peat, Toronto; R. C. Patton, Quebec;

F. A. Parkes, Brampton; Ernest F. Racey, Quebec; Jean Taché, Quebec; Jeremy Taylor, Fredericton; A. B. Van Felson, Quebec; R. S. Williams, Goderich; C. W. Walcot, Quebec.

The following visitors were also present:—Messrs. Z. A. Lash, Q.C., counsel for the Association, Toronto, and W. C. Cornwell, delegate from the New York State Bankers' Association.

After the President, Mr. B. E. Walker, had called the meeting to order, the Secretary, Mr. W. W. L. Chipman, read the notice calling the meeting.

The President then declared the Third Annual Meeting of the Association open and ready for business.

The minutes of the previous Annual Meeting were taken as read and confirmed.

Mr. Thomas McDougall, general manager of the Quebec Bank, in welcoming the members, made the following remarks:—

Mr. President and Gentlemen,—On behalf of my colleagues in Quebec, and for myself, I wish to say that we appreciate exceedingly the compliment of your visit to this city, and we desire to make you as welcome as we can. We trust that your stay here may be an agreeable experience to you, and in saying this we feel sure that we express the sentiments of the citizens at large. For the leisure time which you have at your disposal the local committee has provided certain pastimes which may be acceptable to you. I may mention that the clubs have opened their doors, and made their privileges available to you, viz., the Union Club, the Garrison Club, the Quebec Amateur Athletic Association and the Quebec Golf Club. With regard to the Golf Club, I may say that Quebec possesses probably the finest links in America, and possesses some men also who can play the game excellently well, and who are ready to afford facilities for a game to any member of the Association. The gentlemen of Laval University have kindly intimated that they will be glad of a visit from the members of the Association to the University. A trip has been provided to the Montmorency Falls for Thursday afternoon, which should be enjoyable to members of the Association on account of the beauty of the Falls, and should also be interesting as showing the application of water power to electrical and manufacturing purposes. Mr. R. R. Dobell has kindly offered to entertain the members of the Association on Friday morning at Beauvoir Manor, and the

Secretary of the Quebec and Lake St. John Railway has been good enough to volunteer a trip to Lake St. Joseph. With this scheme of amusement I think that your spare time during your stay here should be pretty well filled up.

In reply, the President said :—

Mr. McDougall and gentlemen of the Canadian Bankers' Association: On behalf of the Association I think we have first to express our thanks to the bankers of Quebec for the trouble which they have evidently taken to make our visit here in every way pleasant to us. We must thank the people of Quebec for their proffered hospitality, of some of which we will avail ourselves with great pleasure. We must also thank the Government for the dignity which will be lent to our proceedings by the meeting being held in this Legislative Council Chamber.

We, joint-stock bankers, are one of the products of modern industrialism, the engineers of the great power of credit as essential to the world as steam and electricity—and we have come to discuss our affairs where feudalism made its first stronghold in America. We would be strangely lacking in sentiment if we could meet here unmoved by the memories of what has transpired within these fortress walls. We are gathered together to consider the complexities of currency and banking, at the close of the nineteenth century, on the very spot where an ingenious intendant of the old regime invented a way out of his difficulties by creating perhaps the crudest fiat money ever issued. Here, where the products of the chase, the forest, and the field first took their seaward way to old France, we meet, who have carried the enterprise of banking from the Atlantic to the Pacific, and while we think of the effects on banking of the abundant harvest of our far prairie provinces, let us not fail to spare a thought for those early and apparently hopeless industrial experiments of new France—at Sable Island and Tadousac, and later on a larger scale at Cape Breton, in the Basin of Minas, at Montreal, and Quebec. Whether we be Frenchmen or Englishmen we must recognize the fact that we could not enjoy the comfort and luxury which we possess to-day, or look forward to the bright future in store for us, were it not for the intrepidity and courage with which these Frenchmen fought and struggled for their homes, for their king and for the flag that bore the lilies of old France.

In the United States I notice that conventions are opened by prayer; and if these little reflections help to lift us to a higher plane before we begin, I hope you will not think that we will be less capable of looking after the hard and practical matters of banking when we come to them. Further than to express our

gratitude for, and appreciation of, the warm feelings which have prompted the people of Quebec to do again for us what was so handsomely done at Halifax a year ago, I will not detain you.

On motion, Messrs. J. C. More and F. G. Oliver were appointed scrutineers.

The Secretary then read the following

#### REPORT OF THE EXECUTIVE COUNCIL

##### *To the Members and Associates:*

The Executive Council beg to report as follows regarding the work of the Association during the past year;

#### DOMINION NOTE ACT

Immediately after the presentation to the Members and Associates of the last report of the Executive Council it was learned that an error had been made in some department of the Government in carrying out the legislation connected with the increased power of issue under the Dominion Note Act, and the additional words quoted at page 14 of the JOURNAL had been omitted. An explanatory note to this effect was afforded by the president at page 53. Since then the Government has passed the necessary amendment, repealing the legislation of 1894, and adding to the Act as it previously existed the following much more satisfactory provision:

"Notwithstanding anything to the contrary contained in the said chapter thirty-one of the Revised Statutes, Dominion notes may be issued to any amount in excess of the sum of twenty million dollars, authorized by section three of the said chapter, provided the Minister of Finance and Receiver-General, in addition to any amount required to be held by him in gold under the provisions of the said section three, holds an amount in gold equal to the amount of Dominion notes issued and outstanding in excess of the said sum of twenty million dollars."

#### INSOLVENCY LEGISLATION

It was expected that the Insolvency Bill passed by the Senate in the Session of 1894, and which was not taken up by the House of Commons, would be re-introduced and receive the serious attention of Parliament this year, but at the second reading in the Senate, towards the end of May, it met with so much opposition that the debate was adjourned, and there is

now no immediate prospect of legislation on the subject. Your Council watched the situation most carefully, and were ready to act under your instructions given at the last annual meeting, had an occasion arisen rendering it possible to further discuss the features in the bill which were not satisfactory to the banks.

#### SPECIAL LEGAL TENDER NOTES

In the last report of the Executive Council you were informed of the terms on which the Minister of Finance would be willing to issue a special form of legal tender note for use by banks only. The report of the Executive Council having met with your approval, and the resolution at page 51 of the JOURNAL having been passed, your Council, on 23rd November, 1894, acted as subsequently reported to you in the president's circular of 20th May, 1895, and the Order-in-Council required to give effect to the arrangement was issued 25th March, 1895.

On receipt of the circular of 20th May, 1895, the various banks from whom subscriptions were expected remitted their proportion or expressed their willingness to pay when called upon, with the exception of one institution, as reported in the president's circular of 24th August, 1895. The cashier of this bank had originally objected to the form of the note, but on the 9th March, 1895, withdrew his objection while not yielding his opinion in the matter. In response to the circular of 20th May, however, while remitting his share of the expense he protested against any further expense being incurred until the whole matter had been reconsidered by the Council of the Association.

In his letter he stated his objections as follows :

" 1. That under section 4 of the Dominion Note Act the Governor-in-Council has no authority to make legal tender a note that is drawn otherwise than payable absolutely to bearer.

" 2. That the expression in the proposed note, ' negotiable only between banks ' would throw upon the holders of the notes for the time being, and perhaps subsequently, a responsibility and liability far in excess of any advantage or saving there might be in the use of legal tender notes having a circulation limited to chartered banks."

As the matter is of very great importance, your Council have

thought it best that it should be discussed at the Annual Meeting, in order that all the bankers present may have an opportunity to express their views before a final conclusion is arrived at.

#### CO-OPERATION

Your Council recognizing that the Constitution of the Association provides that a majority shall not by resolution or otherwise enforce action upon a minority, nevertheless also recognize that one of the main reasons for the existence of the Association is the co-operation of banks in reforms for the benefit of the body as a whole. In the closing months of 1894 an effort was made to fix a maximum rate of interest on deposits, and your Council are glad to be able to record that success was obtained at that time in every province and territory where banks have establishments, except in the Province of Quebec, where success was temporarily prevented by a bank which has since suspended. During the past week the agreement has been extended to Quebec, and, therefore, now covers the whole Dominion, so far as banks connected with this Association are concerned. Your Council feel that a great point has been gained in demonstrating that co-operation on an extended scale is possible, and they do not doubt that if banks will heartily favor co-operation and earnestly endeavor to make each instance of co-operation successful, whether local or national, a solidarity will be created among the banks of Canada which in matters of legislation, as well as of banking practice, will be most beneficial to all.

#### THE JOURNAL

During the year your Council, on the recommendation of Mr. Henderson, one of the Editing Committee, appointed Mr. Vere Brown as sub-editor of the *JOURNAL*, with a suitable remuneration. It was reported to your Council that the duties of the Editing Committee necessarily limited themselves to a general oversight of the publication, and of the articles finding a place on its pages, while the work of proof-reading and details must devolve on some one individual, and it had devolved in the present instance almost altogether on Mr. Vere Brown.

#### PRIZE ESSAY COMPETITION

In the Prize Essay competition, 32 papers were submitted



for the Senior subject and 32 for the Junior, 64 in all. The envelopes containing the *noms-de-plume* were opened this morning, and the names of the winners will be announced by circular as heretofore.

#### REPORTS OF SUB-SECTIONS

The reports of the Sub-sections at Winnipeg and Ottawa will be presented separately.

#### AMENDMENTS TO THE BANK ACT AND BILLS OF EXCHANGE ACT

The Executive Council desire to draw the attention of their successors to the following business not discharged by them for the reasons given in their last report :

" 1. Motion by Mr. Burn regarding an addition to section 84 of the Bank Act. (See page 322 of the JOURNAL).

" 2. Motion by Mr. Prendergast regarding section 51 of the Bills of Exchange Act. (See page 323 of the JOURNAL.)

" 3. Motion by Mr. Ward in Executive Council regarding Clause 80 of the Bank Act, that whenever legislation affecting the Bank Act is before the House, steps be taken in the direction of enabling banks to collect the rate of interest stipulated to be paid.

" 4. Suggestion by Mr. Schofield in Executive Council, approved by Council, that 'an addition' be obtained 'to the section under which the banks would be fully protected in substituting new goods for property already held under pledge, and needing to be surrendered to a customer for the purposes of his business.'"

All respectfully submitted on behalf of the Executive Council.

B. E. WALKER, *President*

THE PRESIDENT—A little comment is necessary on my part regarding this report, before moving its adoption. What was done regarding the issue of Dominion notes in excess of twenty million dollars must be satisfactory to all of us. It will probably have the effect eventually of making the banks indifferent whether they hold Dominion notes or gold.

Regarding insolvency legislation, I would say that if at any time merchants who are customers of the banks complain of the Insolvency Bill not passing, the reply is that the fault clearly

lies with them. The co-operation of the banks might have been obtained at any time had they been reasonable regarding the section discussed at the last annual meeting.

On motion of the President, seconded by Mr. George Hague, the report was unanimously adopted.

The report of the Examining Committee in the Prize Essay competition, made to the Executive Council, was then read by the Secretary, as a matter of interest to the Associates present.

#### REPORT OF THE ESSAY COMMITTEE

##### *To the Executive Council :*

The following awards have been made by the Committee appointed under your resolution of November, 1894, to examine the essays, 64 in number, submitted in the Prize Essay competition under circular of 13th February last :

##### SENIOR COMPETITION

1st—"Louis"—R. J. Gould, Bank of Toronto, Toronto.

2nd—"Facts"—C. F. Deacon, Bank of British North America, Montreal.

##### *Honorable Mention*

"Fiscus"—J. B. Peat, Canadian Bank of Commerce, Toronto.

"Mammon"—R. Wolferstan Thomas, Bank of British North America, Toronto.

"A. L. O. C."—F. McDougall, Merchants Bank of Halifax, Sackville.

"Semper Vigilans"—Geo. Wilson, Imperial Bank of Canada, Toronto.

"Erin-Go-Bragh"—D. M. Stewart, Canadian Bank of Commerce, Montreal.

##### JUNIOR COMPETITION

1st—"Per Augusta"—J. M. Black, Bank of British Columbia, Vancouver.

2nd—"N. P. N. A."—F. J. Sherman, Merchants Bank of Halifax, Fredericton.

##### *Honorable Mention*

"Parva Sub Ingenti"—J. H. Ferguson, Merchants Bank of Halifax, Charlottetown.

"Dixie"—H. M. P. Eckardt, Merchants Bank of Canada, Winnipeg.

"Yorke"—D. M. Sanson, Canadian Bank of Commerce, Toronto.

"Weymouth Pine"—H. V. F. Jones, Canadian Bank of Commerce, Toronto.

"Count"—H. A. Hunter, Canadian Bank of Commerce, East Toronto.

The Committee, while commending the general excellence of the papers, regret that in both subjects the banking interests of the country were not more fully considered.

W. W. L. CHIPMAN,

Montreal, 27th August, 1895 (for the Committee)

MR. HAGUE—I think we should pass resolutions of thanks to the gentlemen who made the examinations. I know from experience what a very onerous business it is. These gentlemen have had to read sixty-four papers of a great many pages each, and not only read them but also consider them very carefully as to their order of merit. I had the honor of taking part in the examining of these papers two years ago, and certainly it was one of the most onerous things I ever had to attend to. I think, therefore, the Association should not allow all this work to be done without, at any rate, expressing its warm appreciation of the manner in which it is done, and I now make the following motion :

Moved by MR. HAGUE, seconded by MR. McDUGALL, "That a vote of thanks be tendered to the committee appointed to examine the papers submitted in the Prize Essay Competition, for their valuable services." Carried.

MR. G. H. BALFOUR—On behalf of the Reading Committee I tender thanks for the kind expressions of which you have made use. The reading of these papers has been a matter of gratification to us. I should just like to mention in this connection—we at first included it in our report, but I think it was afterwards eliminated—that some of the papers exceeded the regulation length. The number of words permitted in the junior competition was five thousand, and in the senior ten thousand. Now, in both classes several papers exceeded the limit. One of the best papers in the senior series—one which undoubtedly would have won a prize—contained some eighteen hundred words in excess of the ten thousand, so that paper had to be

thrown out. I think that stress should be laid upon the fact in future that papers will be discarded if they exceed the number of words allowed by a certain percentage.

MR. KNIGHT drew attention to the distinction made between the number of words allowed to the junior and senior competitors, and said that he would be in favor of restricting the number of words in the senior competitions to five thousand words and allowing the juniors to write as freely as they pleased.

The President said that he was glad to see this point raised. He had not been a member of the committee which decided the number of words, and he did not know why the distinction had been made. He had, however, urged the committee to allow a larger number of words than they first proposed. The discussion would have weight with future committees. He remarked that several young men complained that the committee did not suggest sources of information, and the intimation had been made that it might not be amiss if the committee naming the subjects would give suggestions of that kind. He did not know whether it was practicable or not, but it should go on record, so that the next committee naming the essays would have that point before them for consideration.

MR. HAGUE said he thought the number of words was too great. Such a limit as ten thousand words must necessarily in a great many cases lead to diffuseness, and make the task of reading and judging a matter of great difficulty, and such as should not be imposed upon anybody. It would be most desirable to shorten the essays by about one half. He could not endorse Mr. Knight's idea, and was inclined to think that no distinction should be made between them.

The President expressed the hope that this discussion would be helpful to the next committee, and said that he trusted they would have no difficulty in finding bankers who would be ready to undertake the labor which the examination of the papers entailed.

The Secretary then read the

#### REPORT OF THE WINNIPEG SUB-SECTION

##### *To the Executive Council:*

The Winnipeg sub-section of your Association beg to present their report herewith.

The annual meeting was held on the 8th June, when Mr. Angus Kirkland, Manager of the Bank of Montreal, was elected

Chairman for the ensuing year, and Mr. F. H. Mathewson, Manager of the Canadian Bank of Commerce, was re-elected Secretary.

Several matters of more or less importance were brought before the sub-section during the past year, and dealt with.

Through the medium of the sub-section, an agreement was effected by which all the banks doing business in Winnipeg reduced the rate of interest on deposits to  $3\frac{1}{4}\%$  on the 1st January last.

Last year our Association undertook to obtain reports upon the condition of the crops for the benefit of all the members, and arrangements were made with a large number of reliable correspondents in the province to send reports to the Secretary on the 8th August and 6th September. The information thus obtained was compiled and distributed to the several banks, and proved valuable in enabling the managers to form conclusions as to the condition, size and quality of the crop, and the probable quantity of grain available for export. The estimates made from these reports ultimately proved to be very nearly correct.

This year the list of correspondents has been considerably enlarged, and reports have already been received from correspondents at 123 points in the North-West regarding the conditions and prospects, prior to the commencement of harvesting operations. After the grain is cut, and thrashing well advanced, a second report will be obtained.

The members of the Winnipeg Sub-section beg to suggest that your Association hold their next annual meeting in this city, and they would assure you that all in their power would be done to make the visit enjoyable.

Yours faithfully,

ANGUS KIRKLAND, *Chairman*  
F. H. MATHEWSON, *Secretary*

Winnipeg, Sept. 13, 1895

MR. THOMAS—Mr. President, I would like to make a few remarks on that report. Coming as it does from one of the most remote parts of the Dominion, it shows that they have fully appreciated their position. First of all, we see them a young community, no more than, you may say, a quarter of a century

old, and they have set us an example in reducing what we considered a too high rate of interest, to  $3\frac{1}{4}$  per cent. maximum. For that, I think, they deserve a great deal of credit. Then, again, as to these reports, I read them with a great deal of satisfaction, Mr. President, because it struck me, as I think it would many others, that we could place much more reliance upon these than upon the reports furnished from other sources. I speak specially, for instance, of the railways. We know the C. P. R. is naturally interested, and whether they give true reports or not people are apt to form their own conclusions and not rely upon them altogether. Now, when these bankers took all that trouble and were enabled to furnish reports which were really a *fac-simile* of the C.P.R. reports, which just endorsed and assured the C.P.R. reports, I think it was an admirable gain to that railway, and I am sure it was to ourselves and the mercantile community doing business in the North-West. I would move that we specially put upon our records that we are grateful to our friends in Winnipeg for the position which they have taken in instituting these enquiries.

The PRESIDENT—I would add to Mr. Thomas' remarks my own feeling as to what has been done there. The bankers arranged with the 123 correspondents referred to in the report, even to have telegraphic information of frost, and they have practically covered that entire country with reliable correspondents. I hope you will all approve of the expressions of thanks to which Mr. Thomas has given voice.

MR. HAGUE—Before we pass from that, is not the example of the Winnipeg section one worth following? Could we not suggest to the Executive next year that means be taken to secure reliable estimates of the crops in our own and the other provinces? We are interested in the products of the different provinces, but particularly in the crops; and it is undoubtedly the case that we have the means of getting information, which, when summarized and published, would be of very great value to ourselves and to the general community. It is a question whether it is not desirable for the Executive next year to take means, when the next harvest comes, to have this idea extended to every province of the Dominion.

A motion by Mr. Hague, seconded by Mr. Thomas, that the Executive take this matter into consideration, was carried.

MR. McDUGALL—In connection with Mr. Hague's remarks, how would this information, as obtained, find its way to the public? Would it be periodically published?

MR. HAGUE—It would only be gathered once a year.

MR. McDUGALL—Of course in the western provinces it is only once a year for the crop; but would you apply it to the dairy products of the Province of Quebec?

MR. HAGUE—I don't know that we could apply it to the dairy products. They extend over a long period of time. The crops, however, come once a year, and definite information could be got at a particular time.

MR. McDUGALL—The information with regard to the output would be valuable.

MR. THOMAS—Does not the Board of Trade supply this? If it does not, I think it would be a good thing to extend that idea to the dairy products, and the products of the forests and mines, because these are some of the most important industries we have.

MR. THOMAS—Don't you think that if the Executive Committee took this up, they might draw up a formula and ask the banks to pass it round to their branches, so that you might have something of a uniform character from which deductions could be made?

The report of the Ottawa sub-section showed that no business had been transacted.

Moved by MR. M. J. A. PRENDERGAST, seconded by MR. E. L. PEASE:

"That the report of the sub-sections be adopted and embodied in the proceedings of the annual meeting."

Moved by MR. THOMAS, and *resolved* unanimously:

"That the grateful thanks of the Association be tendered to the Winnipeg sub-section for their admirable and exhaustive crop reports."

#### FINANCIAL STATEMENT

The Secretary-Treasurer presented his financial statement to 30th June, 1895, as follows:

#### GENERAL BALANCE

May 31st, 1894	June 30th, 1895
Balance brought forward.. \$4,676 40	Cash account—In bank.... \$3,141 23
Revenue account—	Charges account..... 4,844 89
Members' subscriptions.. 3,000 00	Office furniture ..... 224 70
*Associates' do. .. 459 00	
Bank interest ..... 75 42	
<u>\$8,210 82</u>	<u>\$8,210 82</u>

\*Associate fees in 1894 were payable in February; in 1895, not until 1st July. The larger part of the fees for the period Feb. '94-June '95 were paid prior to 31st May, 1894.

## GROSS REVENUE ACCOUNT

May 31st, 1894		June 30th, 1894	
Balance.....	\$4,676 40	Charges account.....	\$4,844 89
June 30th, 1895		Balance.....	3,365 93
Bank interest account ....	75 42		
Revenue account .....	3,459 00		
	<u>\$8,210 82</u>		<u>\$8,210 82</u>

Certified correct.

M. J. A. PRENDERGAST  
E. L. PEASE

It was resolved that the report of the Treasurer just read, having been approved by the Auditors, be adopted.

The following report was presented on behalf of the Editing Committee :

## REPORT OF THE EDITING COMMITTEE

*To the Members and Associates :*

The Editing Committee beg to report concerning the work of the past year as follows :

The volume for the year commenced with the September number, of which 1,200 copies were issued from the press, that quantity being regarded as sufficient for the probable requirements. A large influx of new Associates and of subscribers to the JOURNAL taking place shortly thereafter, however, it was found necessary to increase the succeeding issues to 1,600 copies, and to print a second edition of 400 copies of the September number.

The publication of Dr. Breckenridge's work on the legislative history of our banking system has been a special feature of the year's JOURNAL, and the Committee take this opportunity of reporting the arrangement upon which it was undertaken.

When Dr. Breckenridge set out upon his researches for the material for his work, he discussed his plans with some of the members of the Association. The desire had been widely expressed that someone might be induced to undertake the task Dr. Breckenridge had set for himself, and as it was eminently fitting that such a work should be published under the auspices of the Association, the President suggested to Dr. Breckenridge that the Editing Committee would doubtless be pleased to have his article—then estimated as likely to be of the length of 160



JOURNAL pages—for publication in the JOURNAL, furnishing him in return with 300 copies in pamphlet form, to be struck off when the type was set up for the JOURNAL. When the first portions of the work were placed in the hands of the Committee it was found that it would be more than double the length first thought likely. The publication of this larger article, on the conditions as to author's copies, involved a considerable expenditure; but with the approval of the President, your Committee concluded the arrangement with Dr. Breckenridge, and now express the hope that their action in the matter has been such as the Association will approve of.

In their report a year ago the Committee estimated the cost of publishing the JOURNAL during the ensuing year at \$700. The actual cost has been \$1,738. This difference has for the most part been occasioned by the publication of the Breckenridge chapters, which necessitated almost doubling the size of the three last numbers of the volume, as well as publishing a supplement of about 100 pages. The larger edition of each issue, rendered necessary by the increase in the JOURNAL's constituency, and the reprinting of the September number, will also account for a portion of the increased cost. Against this increase, however, must be taken into account the increased revenue to the Association from fees, subscriptions, and advertisements, which has amounted to \$804, as shown by the following statement :

At the date of the last annual meeting the fees of associates amounted to .....	\$585
At 30th June, 1895, this had been increased to .....	890
An increase of .....	\$305
Add increase in subscriptions to the JOURNAL .....	318
Advertisements, after deducting commission of agents managing this department.....	181
A total increase of .....	\$804

bringing the total revenue up to \$1,385.

The list of subscribers is made up of bank directors, private bankers, American banks, and business men. A number of these no doubt subscribed for the purpose of procuring the article on the Canadian Banking System, and a proportion of these subscriptions will doubtless lapse. Making allowance for this and

reckoning the Associate membership at about its present figure, the Committee estimate that the revenue from the JOURNAL for the coming year will not be less than \$1,250.

The cost of publication for the coming year will, the Committee estimate, be about \$1,550, but should this have to be exceeded it will be due to causes bringing about a corresponding increase in the revenue. In this sum is included the special grant by the Council for the remuneration of the sub-editor and other expenses, as well as an allowance for honoraria to contributors, which latter the Committee find will be absolutely necessary to the maintenance of a really creditable magazine. This total expenditure the Committee trust the Council will see their way to sanction, although in excess of the anticipated revenue from the JOURNAL for the coming year.

All respectfully submitted,

J. H. PLUMMER, *Chairman*

Toronto, 9th September, 1895

THE PRESIDENT—Referring to the financial statement and the report of the Editing Committee, I think we are a thousand dollars poorer then we were at the beginning of the year.

MR. THOMAS—We have got to pay for the prizes, and the amount is larger this time.

THE SECRETARY—Last year's prizes are in this year's outlay.

THE PRESIDENT—At first we had an income much larger than our expenditure. We accumulated a surplus of \$4,000 at the very start. The only item in the expenditure of the year to which I wish to refer is that connected with the JOURNAL. I have nothing whatever to do with carrying on the JOURNAL, and all credit in connection with it is entirely due to the Editing Committee and the sub-editor, but I wish to explain on their behalf that they have this year avowedly spent money freely in order to make the JOURNAL what it is. A large part of this expenditure was caused by the publication of the history of the Canadian banking system written by Dr. Breckenridge. The report of the Editing Committee explains the circumstances under which its publication was arranged for. We thought it would be a work of less than 200 pages, but it turned out to be one of 353 pages, and we had to supply 300 copies in order that he could submit it to the Columbia College as his thesis. The

Editing Committee did not hesitate to spend the money, and even if it had cost a great deal more, there could be no doubt as to the wisdom of doing so.

MR. THOMAS—Looking over the Supplement of the JOURNAL I find that my bank is not as well represented on the list as it should be. I think that is a source from which the income might be increased; and to do that it would perhaps be desirable to give Associates more even than they have now. I think I heard some ask a year ago what they would get for their money. I am not prepared to say, but I think it would be desirable to consider in what manner, apart from the JOURNAL, the advantages of Association membership could be increased.

MR. KNIGHT—You refer to the absence of the members of the Editing Committee. I am a corresponding member of that Committee, and I do not hesitate to tell you this, since you are on the question of ways and means. Probably the most important thing is as to what we will give the Associates. The Associate who obtains the magazine for one dollar is getting a great deal more than his money's worth. If you expect for the first year or two to make any paper or magazine, reserved for the use of bankers, pay, you are very much mistaken. We have already many subscribers outside of those interested in banking directly. It will become the accredited organ of the bankers, and in time will also be sought as a reliable guide with respect to crops and other matters of interest, by the commercial community. The bankers will be actually vouching for the accuracy of its statements. If the apparent loss of revenue, or the failure to make our expenditure come within our income this year, is due only to the publication of the magazine, I think we have nothing to regret. The JOURNAL may be the only thing we give, for the yearly subscription, to the Associates, but what more we can give them is beyond me, and I cannot see how the man who subscribes one dollar a year to this association can expect more value for his subscription than is represented in such a magazine.

MR. THOMAS—Of course, I did not intend to speak disparagingly of the JOURNAL; quite the contrary. The question in my mind was: Could we do anything more for the Associates? I think it would be well if a record book were kept at our head office, containing a record of every Associate officer—the bank he is in, the position he occupies and various things about him. By that means bank officers residing in the other provinces would become known to the bankers of Ontario and Quebec and all through the Dominion. I don't know that it would be desirable to encroach on other preserves, but yet I do not see why young

fellows who are living in Nova Scotia, for instance, would not have some chance of being known to bankers throughout the Dominion.

I think we ought to be most grateful to the gentlemen who have taken the trouble to edit so excellent a magazine. A remark has been made about securing outside subscribers. Now, if we want to extend the circulation of the JOURNAL we must put something in it that will draw outsiders. You speak about the crop reports. These must not be kept for our exclusive information. In reference to agriculture in the Province of Quebec, there is a journal published by the Government which contains all the facts bearing upon it. These might be digested in reference to the hay crop and dairying and other things, and the facts inserted in our JOURNAL. When we want information we do not know exactly where to put our hands upon it, and I saw this *Journal of Agriculture* for the first time less than a month ago.

On motion of MR. KNIGHT, seconded by MR. McDougall, the report of the Editing Committee was adopted.

The PRESIDENT—We will probably have to spend more out of our surplus next year; and if in a few years we do not see our finances meeting, it will be time enough to consider the situation.

MR. THOMAS—It would be a good thing if each bank would supply its branches with a bound volume of the JOURNAL for each year.

MR. KNIGHT—The JOURNAL can be made to pay; but as many of us know, it has been thus far intentionally confined mainly to matters of interest to bankers, whereas my idea is that it can be made to take the place of a magazine for circulation among the merchants as well.

The PRESIDENT—Whenever that time comes we will have to have a paid editor who will attend to it and nothing else. I am not troubled so much about the expense as about having a first class journal, even if it costs more than now. So far, however, we have done what we could, and we have already a good many mercantile subscribers, as well as lawyers, private bankers in Canada and foreign bankers.

MR. KNIGHT—It is nearly self-supporting, and if all the banks would take an interest and encourage their officers to subscribe, we should have no difficulty in making it pay all expenses.

MR. WEIR—MR. Chairman, I think it is due to the Editing Committee to pass a vote of thanks. I must say that having

some experience in the publication of a journal, I consider it has been very successfully edited ; and when I hear the financial statement I am surprised it has not cost more. I must say, from my own knowledge, I think they have been very economical in the management, and I would also say that I like the JOURNAL very much.

Moved by MR. F. WOLFERSTAN THOMAS, seconded by MR. GEO. HAGUE, and

“ Resolved, that the special thanks of the Members and Associates are due and the same are hereby heartily tendered to the Editing Committee and the Corresponding Committee of the JOURNAL for their continued and valuable services during the past year.”

In tendering this vote of thanks the Members and Associates congratulate the Committees on the extension of the Associate membership list, due so largely to the growing influence of the JOURNAL as an authoritative banking publication. They further regard with sincere appreciation the high standard of excellence of the papers admitted to its pages.

The meeting adjourned until 8 o'clock p.m.

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#### EVENING SESSION

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The proceedings were continued by the reading of the

#### PRESIDENT'S ANNUAL ADDRESS

The year or more which has passed since we met at Halifax has not been a very eventful one in the financial world, but it has made many changes among us as individuals. While we were meeting at Halifax, news reached us of the death of Mr. J. Murray Smith, well known in Quebec and Ontario, and doubtless elsewhere, as the manager at Montreal, for many years past, of the Bank of Toronto.

In December, James Stevenson, one of our honorary presidents, and the general manager of the Quebec Bank, passed away full of years and honors. He was not only the venerable teacher and adviser, but the genial friend and fellow sportsman of many throughout Canada. A graceful writer on all subjects, who even gave to the early history of banking in

our own country the charm of picturesque incident, we shall mourn him as a personal link in that history stretching back to the rebellion.

In March, Robert Henry Bethune, general manager of the Dominion Bank, one of the most active and successful bankers in Canada, died. At one time an officer under Mr. Stevenson, whose junior he was by a generation, his death in the prime of life, so shortly after his octogenarian friend and preceptor, startled us all. There were those, I believe, who knew that he was not as well in health as his firm bearing and cheerful speech indicated, but to most of us his death came as a sudden grief for which we were all unprepared.

We have also lost by retirement Mr. R. R. Grindley, general manager of the Bank of British North America, but we must hope that in his well-earned repose he will not forget the country in which he lived so long and his fellow workers in the business of banking. With strong convictions as to the usefulness and a clear view as to the future of the Association and its *JOURNAL*, his advice was always helpful to his fellow members of the Executive Council.

By the resignation of his position as cashier of the Banque du Peuple, immediately before the suspension of that bank, Mr. Bousquet also ceased to be a member of the Executive Council.

I hope it will not be thought out of place if one who was not politically a follower, also offers at this moment his tribute of admiration to the late Sir John Thompson. Without entering upon the qualities he possessed for which he will be remembered in history, I may safely assert that those who had to do with the various important measures of legislation in which banks were deeply interested, know how much we owe to his great ability and profound sense of right.

#### NEWFOUNDLAND

In December a financial collapse occurred in Newfoundland, serious enough to involve the credit of the island, and to cause the failure of a large number in the mercantile community, including the only two joint-stock banks existing there. As the statements of these banks have not been readily accessible to Canadians I subjoin copies of those rendered at the close of

their last fiscal year. Subsequent revelations have made these statements of little value except as an indication of the volume of the banking business of the island.

*Union Bank of Newfoundland*

LIABILITIES—		30th June, '94
Capital .....	\$	456,000 00
Reserve Fund .....		320,000 00
Profit and Loss, undivided .....		7,319 79
Bank notes in circulation .....		616,080 00
Due by Bank including deposits at interest, payable Jan. and July on receiving fifteen days notice .....		3,015,305 59
Dividend No. 78, 6% for half year ending Nov. 30, 1893 .....	\$27,360 00	
Dividend No. 79, 6% for half year ending May 31st, 1894 .....	27,360 00	
Bonus, 3% for half year ending May 31st, 1894 .....	13,680 00	
	<hr/>	
		\$68,400 00
Less Dividend to Nov. 30, 1894 .....	27,360 00	
	<hr/>	
		41,040 00
		<hr/>
		\$4,455,745 38
ASSETS—		
Specie in vault.....	\$	196,974 82
Notes of other banks .....		517 00
Bills discounted, loans, etc .....		2 881,671 72
Balance due by banks and funds available in fifteen days....		1,360,581 84
Bank premises, safes, etc .....		16,000 00
	<hr/>	
		\$4,455,745 38

*Commercial Bank of Newfoundland*

LIABILITIES—		30th June, '94
Capital .....	\$	306,000 00
Notes in circulation .....		527,911 00
Current accounts, deposit receipts, etc .....		1,813,620 00
Dividend, unpaid.....		13,770 00
Bonus.....		3,060 00
Reserve Fund .....		110,000 00
Profit and Loss .....		12,116 00
	<hr/>	
		\$2,786,477 00
ASSETS—		
Specie.....	\$	138,234 14
Notes and cheques of other banks.....		10,382 41
Debenture bonds (water stock, Dominion and other securities, and interest due).....		341,865 13
Local bills discounted (bills of exchange and amounts due from other banks) .....		2,258,789 57
Bank premises, including safes and land adjoining with brick building erected thereon .....		37,206 93
	<hr/>	
		\$2,786,478 48

While it was evident that this was the natural result of a long period of trading and banking on an unsound basis, the readjustment of which will prove beneficial to the colony, it was unfortunate for Canada that there should be in the minds of many foreigners a doubt as to the political relations of the island to us. Although we owe them no duty, except the good will arising from geographical adjacency and a common ancestry, it will doubtless be remembered in our favor, when at some future time the question of the annexation of Newfoundland with Canada is again discussed, that at the hour of their severest financial trial three Canadian institutions, the Bank of Montreal, the Bank of Nova Scotia and the Merchants Bank of Halifax, stepped into the breach and aided largely in rehabilitating the commerce and the finances of the island. Many of the bankers here present are much better informed as to Newfoundland affairs than I am, yet all will be glad, I think, to hear that during the ensuing year we hope to have in our JOURNAL a very complete article, by a thoroughly competent writer, dealing with the commercial and political conditions of the island.

#### CANADA

It is with regret that we have to record the suspension of one Canadian bank during the past year, but as the period has not yet expired during which the institution is permitted by the provisions of the Bank Act to resume, it would not be proper for me to enlarge upon the event, deeply interesting as the circumstances surrounding it have been to all of us. Whatever there is in the history of the institution which is materially connected with the history of banking in Canada, will doubtless be recorded in the JOURNAL sooner or later.

It is probably inexpedient for the President of this Association to attempt to deal in his annual remarks with such conditions of banking in Canada as the present almost unparalleled plethora of money, but I hope that it will not be regarded as improper if I draw attention to the unfortunate degree of competition which appears more and more to be characterizing our relations with one another as bankers, and which is particularly to be regretted at a time when it would seem as if the dictates of self-preservation would induce us to co-operate in order to bring



about many reforms. We seem to be in very great danger of almost entirely losing the minor profits coming from inland exchange and similar operations, not simply by the constant cutting in two of the commissions charged, but by the wholesale manner in which these commissions are being waived in favor of the mercantile public. The same spirit of reckless determination to secure business at any cost is seriously affecting all branches of profit in banking at a time when the natural conditions are all adverse, and one would expect that prudence would cause us to jealously preserve all legitimate sources of profit.

#### UNITED STATES

In this connection I wish to draw your attention to the very rapid growth of bankers' associations in the United States. The great federal body, the American Bankers' Association, was, if I remember aright, alone, or almost alone, a very few years ago, as a body of co-operating bankers. There are now local associations representing thirty States, in all thirty-two associations, one federal and twenty-nine State bankers' associations, and two savings bank associations. While at the present time these associations are discussing banking reform for the nation, the avowed purpose of many of them, and the distinct good many of them are able to perform, is in the direction of improving the practical conditions of banking in their own district, such as rates of interest and commission, and the profits of banking generally, provisions against fraud, and the avoidance of undue competition. There is also noticeable among all of them an admission of the benefit of actual personal contact, that is, they are beginning to feel, as I hope we are also beginning to feel, that by becoming personally acquainted with each other the desire for friendly co-operation is increased, while they are less disposed to enter into unfair competition with one another.

Financial events in the United States during the past year have mainly centred around three points of interest: (1) The position of the gold reserve of the Treasury, (2) The possibilities of the free coinage of silver; and (3) The reform of the currency and banking. And these three points may be said to be inseparable in any discussion of United States finances at the moment.

We noticed, in speaking on this subject a year ago, that the gold receipts at the Custom House in June, 1894, had fallen to less than one per cent. of the whole payments. By July there were practically no gold receipts, and by November another bond issue of fifty million dollars became necessary in order to replenish the Treasury gold reserve. This was offered to the public in 10-year 5 per cent. bonds (issued under an old Act), to be sold on the basis of yielding the buyer not more than three per cent. per annum, or at a premium of 116.008. Although these bonds were payable in *coin* and not expressly in *gold*, the entire issue went to one syndicate at 117.077, or a return of 2.878 per cent. per annum, showing that thus far the faith of Congress and the ability of the Treasury to redeem in gold was fully credited.

In December the Committee on Banking and Currency decided to report favorably to the House a bill looking to the reform of banking and currency, the main feature of which was the issue of bank-notes not secured by Government bonds, but resting on the general estate of the bank, in a manner avowedly copied to some extent from our own system. This proposal, commonly known as the Carlisle plan, differed in some details from that suggested at Baltimore in the preceding October by the American Bankers' Association, but both were the outcome of the same school of reform. But the bill was opposed on the one hand by the Republicans and most of the National banks, and on the other by the advocates of the free coinage of silver, and after much discussion, and the offer of many substitutes, by January it became evident that no action could be taken. Among the many who gave evidence before the Committee on Banking and Currency, I cannot forbear quoting the following terse statement from one of the ablest writers on financial subjects in the United States :

" In respect to silver money, I assume that though the policy of increasing or diminishing its volume is still a seething question, yet it does not specifically concern the problem immediately before your Committee.

" As to the system of note issues provided under the National banking laws, I shall take it for granted—as I think I safely may—that, among economists, practical bankers and intelligent

students of monetary questions, it is the largely preponderant conviction that the system has outlived any adaptation it may have originally possessed for satisfying the currency wants of the country ; the main grounds for that conclusion being :

“ 1. That the bond form of guarantee has been found incompatible with elasticity of issue ;

“ 2. That said guarantee leaves no sufficient margin of profit to the issuer, and consequently prevents issuing ;

“ 3. That the bonds themselves must, in a few years, mature and be retired ;

“ 4. That the Government's engagement to pay the notes is an illegitimate exercise of federal power ;

“ 5. That, owing to obstructive restraints, the volume of notes cannot be readily augmented to meet public emergencies ;

“ 6. That the arrangements for insuring current redemption of the notes fail of their purpose, thereby keeping the volume rigidly inflexible at the season when it should automatically contract or expand ; and

“ 7. That, for these reasons, the National bank circulation has shrunk to one-half its former volume, while the public requirements for money have been increasing.”

The Carlisle plan had many excellent features, along with others, in my opinion, not admirable, but it is clear that before any comprehensive legislation can be obtained the silver heresy must disappear, and many who are not advocates of cheap money must be educated out of unsound ideas born of the financial expedients of Andrew Jackson and Salmon P. Chase.

All this discussion at Washington of the shocking condition of United States finances, accompanied by the usual recklessness in statement by politicians, did no good, and while it was going on the Treasury was drifting into a terrible position. The gold received from the February and November bond sales amounted to \$117,000,000, but the withdrawals were on such a scale that the net balance when the last sale was concluded was slightly less than the figure of \$100,000,000, which the Treasury endeavors to maintain and the public has come to regard as danger point. Withdrawals continued, and towards the end of January the largest withdrawals occurred ever made

in one week since the Treasury was established. By the 28th the reserve was down to \$56,000,000, and in the next five days over \$14,000,000 went out, leaving less than \$42,000,000. While Congress refused to reform the currency the free-silver advocate caught the ear of the public, and aided by the great depression in business and a new species of illustrated economic literature, his opinions flew like wild fire again over many parts of the west and south. Another bond issue was absolutely necessary, but the faith of November was gone in January, and eventually a sale was negotiated so different in results from the sales of 1894 and surrounded by such pregnant facts that it will doubtless find a place in history for many years to come. President Cleveland was strong enough to enforce the repeal of the Sherman Silver Purchase Act, strong enough to enable the Treasury by bond sales to keep up gold payments, but he was not strong enough to enforce the passage of a comprehensive measure of currency and banking reform which would sound the knell of free silver and begin at once the relief of the Treasury from its intolerable obligations.

This failure to pass a banking and currency bill, accompanied by the clearest evidence that the free-silver advocates were still a power, and at a time when the Treasury had barely strength to stand the drain for a few weeks longer, greatly weakened the belief in the good faith of Congress to continue payments in *gold* of obligations made payable in *coin*, and it was for this reason that the President in his message of 28th January, appealed once more to Congress for power to make the forthcoming bond issue expressly payable in *gold* instead of *coin*.

Congress failed to act, and a bargain was made with a syndicate of bankers, representing in a large measure the wealth of Europe and America, by which, under power conferred by the resumption of specie Act of 1875, the Government bought from the syndicate 3,500,000 ounces of gold, paying for it in bonds. The practical result of this was that for \$62,317,500 of 30-year 4 per cent. bonds the Government obtained \$65,117,500. The price, therefore, in dollars was 104.49, yielding in interest to the purchaser  $3\frac{1}{2}$  per cent. p.a., about the price at which a first-class city can borrow money in America,

and an astounding price for the great Government of the United States to pay. Let us make sure that we understand the reason for such a transaction.

You will remember that in the previous November, as in the previous February, bonds had been sold to yield less than 3 per cent. Did any one in 1895 doubt the *ability* of the United States to pay the bonds when due, who had not doubted it in 1894? It would be absurd to suppose so—there was no doubt. But would they pay in the money of the world, in gold? The syndicate, in order to leave no doubt as to what the high rate of interest meant, offered to take 30-year 3 per cent. bonds at par if payable in *gold* instead of *coin*. Congress had expressed to the world its intention to pay in gold all obligations made payable in coin. Why not say so in the obligation itself? The President having obtained this option, as opposed to the terms already mentioned as those in which the sale was finally made, put upon Congress the responsibility of declining to authorize gold bonds, and thus causing an enormous loss of both money and credit. Congress, however, refused, and the direct loss to the country in excessive interest to be paid during the term of the bonds exceeds \$16,000,000, while the less direct loss by this wanton disregard of national credit is incalculable.

While the sale of bonds brought \$65,000,000 into the impoverished Treasury, it had become clear that the mere selling of bonds, even directly for gold, would not alone save the situation. There is no real relation between revenue deficits which have to be met by the sale of bonds and the requirements in gold of the public for export or for hoarding. It is to some extent an accident that the gold receipts from the bond sales of February and November, 1894, met the public's requirements, at the time, of gold for export. The real evil is the absence of gold in the receipts at the custom houses; and only confidence, and the stoppage of excessive gold shipments, will cure that.

For such reasons the Government came to an understanding with the syndicate, that the latter would, in supplying the gold referred to, bring one-half of it from Europe, and would "exert all financial influence and make all legitimate efforts to protect the Treasury of the United States against the withdrawals of gold, pending the complete performance" of the

contract, which has been generally understood to mean until the 1st October, 1895.\* So far as it enabled the Treasury to maintain its gold reserve for the time being, this part of the scheme has been successful. At the lowest point reached, 9th February, 1895, the gold reserve had fallen to \$41,393,212. By the bond sale it received \$65,117,500, and this addition would make a reserve of \$106,510,712. On the 1st of August the reserve was \$107,236,486, but during that month considerable gold was shipped, the syndicate, however, replenishing the Treasury sufficiently to have the reserve at 31st ultimo a trifle over \$100,000,000.

The syndicate being composed of the leading European and American bankers, and being bankers and not a government, were able to do many things not open to the Treasury to do. In order to avoid gold shipments they must supply the sterling or continental exchange necessary to take its place; and such is their strength they have been able to do this at a price exceeding the actual cost of shipping gold by an abnormal profit. The high price was made possible by creating a feeling against gold shipments so strong that ordinary bill-drawers did not care to incur the odium of creating exchange in that way. And of course there has been a strong desire on the part of prudent bankers to do nothing which would militate against a return of confidence. But great as is the wealth and credit of the syndicate, they could not issue an indefinite amount of exchange against nothing. No doubt they have used their credit to a great extent, but we are told that they have by their influence, and the improved feeling regarding American finances, sold securities abroad to the extent of over \$100,000,000. This statement is made by a leading financial journal, a list of the securities being given. Of the amount about one-third was

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\* The New York *Tribune* of 14th instant contains the following authorized statement by the syndicate:

The impression has become general that the members of the bond syndicate entered into an agreement with the United States Treasury to maintain the \$100,000,000 reserve until October 1st, and that upon that date said obligation will cease. Such is not the case. The bond syndicate fulfilled all its obligations to the Government in June last, and has not since been bound in any way to the Treasury. It is true that it has, from time to time since last June, paid over various sums in gold coin to the Treasury, which have sufficed to maintain the reserve, but it has done so voluntarily, and will continue so to do in the same spirit, and from the same motive. It will continue to deposit gold until November 1st, and December 1st, and January 1st if necessary, and if existing conditions make it feasible to do so.

in United States Government bonds, presumably the European share of the syndicate purchase. That such a large volume of United States securities has been placed by the syndicate is not generally credited, and certainly of those sold a considerable proportion has already been resold and returned to New York. In any event it cannot be doubted that the syndicate has averted large shipments of gold by its ability to place a very considerable amount of securities abroad.

Whatever criticisms may have been made regarding the large profits of the syndicate in this transaction, it is, I think, probable that the profits are not out of proportion to the services rendered by the syndicate to the Government, and therefore to the people of the United States. The general public are not apt to understand the extent of the financial peril in that country at the moment when the transaction was entered into, and they are also not apt to understand, as bankers will, the amount of skill, courage, resource and confidence in the future, shown by the leaders of the Syndicate, in practically carrying such a great country through the past four or five months. The Treasury has now passed safely through the summer, and the export of the country's products will doubtless avert heavy gold shipments for some months. The rapid advance in the prices of all commodities which began practically in May, has so stimulated business that the silver advocate may not be able to charm much longer, and confidence may return and American securities go abroad in quantities sufficient to put off the evil day. But this is uncertain, and apparently there can be no financial rest for that country until new measures are adopted, based upon what the majority of the world regards as honest and free from political truckling to silver miners.

MR. FARWELL—Before proceeding, Mr. President, we should express our appreciation of the address which you have given, and ask that it be printed in the JOURNAL. I have much pleasure in moving, if it is the customary practice, that some recognition, at all events, be made of the very able address which you have given, and of the very clear manner in which you have reviewed the affairs of the past year.

The motion made by Mr. Farwell was seconded by Mr. Fyshe.

MR. THOMAS—I quite join with these two gentlemen. It is undoubtedly an address with which we should be well satisfied, and should feel proud before the country and before the world that we have a gentleman presiding over us able to produce such an address.

The motion was carried unanimously.

The meeting here confirmed the action of the Executive Council in extending the Associate year from 1st February to 30th June, and making the Associate dues payable on the 1st of July in each year.

The PRESIDENT again read the Report of the Executive Council, for the benefit, as he said, of those who had not been present at the morning session.

A discussion arose with reference to that portion of the report relating to the issue of a legal tender note to be used by the banks exclusively, and it was decided, on motion of F. Wolferstan Thomas, that the Executive Council should be called together by the President at 9 a.m. on the 12th inst., to consider the matter of the Special Legal Tender Notes.

A letter was here read by the Secretary from the Cashier of the Citizens State Bank, Council Bluffs, Iowa, respecting competition from express companies.

MR. THOMAS—I do not know whether what I am about to say is in order; but the Bankers' Section of the Board of Trade in Montreal has under consideration this question of the competition brought to bear against us by the express companies, who issue cheques payable at different points and are stepping in to take the place of banks, which should enjoy the profits arising from such transactions. I think, Mr. Chairman, it might be a means of introducing a general discussion of the competition existing now in the Dominion. There is no doubt that the public are benefiting at our expense. There is a profit in connection with inland exchange, which should belong to the banks, and of which we, with our injudicious competition, allow ourselves to be deprived. If we could come to some decision and bring some power to bear upon all the banks to have them fall into line, it should be done. I have not estimated what we lose, but I should not be surprised to find, if an estimate were made, that a great portion of the expenses of running a bank would be paid, if we had our fair share of inland exchange. This is just as live a question as that of the reduction of interest. The two questions bear very strongly upon our profits. We are all



aware that the profits of the banks have been diminishing year by year. The public perhaps have become better trained in the understanding of banking; every little merchant or storekeeper in the country knows what is the rise and fall of the money market; they see what money is ruling at in England or elsewhere, and they think that if money is quoted in the banks in England at 2 per cent., it is absurd that they should be charged 6 or 7 per cent. for money. They view it only on their own side. Then, from the folly of our own competition, we allow a vast quantity of exchange business to be done for nothing. I would therefore propose that we take up the whole question and go into it with a view, if possible, of determining upon some basis by which the sacrifice of our own interests can be done away with.

MR. FARWELL—In my bank we only cash these express orders upon payment of the regular commission; but the question is: Have they the right to carry on a banking business?

THE PRESIDENT—This question of competition is an extremely difficult one. There can be no doubt that every one of us would like to improve our profits in this direction if we knew how to do it. I would like to have the views of the Association as to whether we should appoint such a committee. It will entail considerable labor, take some time, and it may all come to nothing. I rather think, however, considering the present position of bank profits, that if we ever can do it we can do it now.

MR. HAGUE—I do not need to waste a minute's time to impress upon all of you that this is a very live question, and one that is engaging the attention of every banker in the country. Now, the difficulty is that we are all afraid of one another and do not like to lose business. Local managers cry out against other local managers, and so the affair goes on festering and festering month after month and year after year. It is far easier to talk about this matter than to devise a remedy that would work. I would like to hear an expression of opinion about these express companies. It does seem absurd to be playing into the hands of our rivals; and we should come to some agreement to remedy this state of things even before we separate on this occasion. That is a plain practical point upon which we might agree. With regard to the other and larger question, it will require a great deal of consideration, but it is high time we gave it consideration. I can remember the time when the inland and foreign exchange of a bank was expected to meet, and often did meet, the expenses of the office. I think it would be a good idea to appoint a committee and let them go seriously to work about this and see if anything can be done. We must at once take up the matter of

express orders. I do not know whether we can stop it as a matter of legality, but we can say that we will not cash them for nothing.

The PRESIDENT—It would require an agreement to be signed by the banks.

MR. HAGUE—That kind of an agreement should be arrived at easily.

MR. FYSHE—In regard to the question at hand I may say that we have long ago made a beginning in that direction in Halifax. We have an agreement among the banks there covering a part of the ground to which Mr. Thomas refers, and particularly the commission on cheques from the outlying districts throughout the province, and also the commission on bills discounted. I do not see why similar arrangements might not be made in Montreal and Toronto, and other large centres throughout the country. I cannot give you the details of the arrangement; but the principle is that we will not cash cheques for less than a minimum charge, and we have no difficulty in getting it. The arrangement has been in existence for two or three years, and it also covers the rate at which we sell sterling exchange.

MR. KNIGHT—Strange to say, the only little grievance which we have originates with the banks north of us in their objection to paying us as they should for services rendered. Owing to your absurd reciprocal arrangements, by which one bank consents to do for another all sorts of business for nothing, we find that when we ask a very small fee for transacting business for them they throw up their hands and say: "You don't know anything down there. We can get this done for nothing in such and such banks." Now, if you can succeed on the question of interest, you can succeed in this; and if the committee appointed to deal with this will settle the question of reciprocal arrangements between the banks, we will hear no more of these complaints.

The PRESIDENT—I quite agree with what Mr. Knight says. I might say a good deal on the subject, but I hope it will reach the stage of going to a committee, where it will be thoroughly threshed out. The trouble does seem to be owing mainly to our reciprocal arrangements.

MR. WEIR—There are two questions with regard to the charges on collections. There are the charges between the banks, and the charges which the banks make to the public. If we were to raise the charges between banks it would be an advantage to some and a disadvantage to others. We would

not get much money out of it ourselves. I suppose a class much interested are the large threshing and mowing machine manufacturers, who send collections all over the country and expect to have them made for nothing. We, however, have declined to do that, and we charge now. It is just throwing our money away, taking the trouble to send collections to these farmers for these mowing machine manufacturers. We might come to an understanding at once with regard to outside collections. It is a matter which can be dealt with, and I think it is one which interests the whole of us at our branches. We should charge each other one-tenth or one-eighth on small drafts. We have to pay postage. If we charged in all cases, there would be more justice in it than to have some of the banks doing a great deal of work for some of the others. I know that our agents complain a good deal of the rates which we have fixed for other banks. It is sometimes discouraging to us. I would be glad to see a higher rate placed. Some of us would lose and some would gain, but I think it would be fairer to us all if we had some arrangement. I would be glad to come to any arrangement, if the committee would fix upon a rate.

MR. FARWELL—I think it is desirable that some uniform rate should be established; and while our friends in the Maritime Provinces have a satisfactory arrangement, I think at the same time if they came in and assisted in arriving at some uniform scale it would be beneficial to us all. There is great reason why they should, because they extend their branches into this section of the country, and whatever business they do here, of course it is on the same scale as the other banks are doing. With reference to the collection of these small bills from manufacturing companies, I would say that so far as our bank is concerned we always make a charge on them whether we collect them or not. We do the same work, and even if they are returned uncollected we exact a charge for them, and I think we are entitled to it.

In addition to the collection charges on bills and drafts, I think the committee should take into consideration the practice which prevails to a great extent of crossing customers' cheques payable at a central point at par, or giving customers the right to do it. That is doing their collection business for nothing, and it should be covered by this arrangement. I think it would also be well to look into the question of charging a minimum rate on any collections returned unpaid, or for procuring acceptances. As to the express companies exceeding their powers in issuing money orders, it would be well to have that inquired into, and see if they have the power to do this. If they have, it might be possible to introduce some amendment to prevent them from continuing.

**MR. COULSON**—The fact of the matter is we have been the chief sinners ourselves, and have brought it upon ourselves simply because we would not consent to pay other banks for doing our business. We want everything done for nothing in these days. If you have to send to a man ten miles away, you are supposed to do it for nothing. It is not the public; it is ourselves who are to blame, and it remains with ourselves to remedy it.

**MR. McDUGALL**—Mr. Coulson's idea is that we should commence by altering our own reciprocal arrangements, and then agree on rates between ourselves.

**MR. COULSON**—With reference to the express companies the banks with whom they keep their cash accounts might cash them at par, but the other banks should not.

The President having referred to a communication from Mr. E. D. Arnaud, of Annapolis, bearing on this question of rates,

It was then moved by **MR. HAGUE**, seconded by **MR. WILKIE**,

"That a Committee of Banks be appointed to consider and recommend to the Executive Council regarding the whole question of minor profits in banking, looking to reforms of practice, the committee to be appointed by the Executive Council for the ensuing year." Carried.

**MR. LASH**, Counsel for the Association, here reported on matters in regard to which he had been consulted.

Moved by **MR. THOMAS**, seconded by **MR. HAGUE**,

"That the Editing Committee and Corresponding Committee of the *JOURNAL* be re-elected for the ensuing year." Carried.

The meeting adjourned to the 12th September.

At the opening on the 12th, the President explained the amendment which had been made to the report of the Executive Council relating to the issue of legal tender notes by the Government.

The adoption of the report as amended and entered in the minutes of these proceedings was moved by **MR. HAGUE**, seconded by **MR. WILKIE**, and carried.

The President also explained that the Executive Council had unanimously agreed upon the text of the proposed note, and

had appointed a committee to see that legislation is obtained if such is necessary.

The election of officers for the ensuing year was then proceeded with. On motion a ballot was cast by the Secretary, after which the scrutineers reported the following elections :

**HONORARY PRESIDENTS**

Hon. Sir Donald A. Smith, K.C.M.G., President, Bank of Montreal  
Geo. Hague, General Manager, Merchants' Bank of Canada

**PRESIDENT**

Thomas Fyshe, Cashier, Bank of Nova Scotia

**VICE-PRESIDENTS**

B. E. Walker, General Manager, Canadian Bank of Commerce  
Duncan Coulson, General Manager, Bank of Toronto  
D. H. Duncan, Cashier, Merchants' Bank of Halifax  
G. A. Schofield, Manager, Bank of New Brunswick

**EXECUTIVE COUNCILLORS**

E. S. Clouston, General Manager, Bank of Montreal  
F. Wolferstan Thomas, General Manager, Molsons Bank  
H. Stikeman, General Manager, Bank of British North America  
D. R. Wilkie, Cashier, Imperial Bank of Canada  
Thos. McDougall, General Manager, Quebec Bank  
W. Farwell, General Manager, Eastern Townships' Bank  
J. Turnbull, Cashier, Bank of Hamilton  
Geo. Burn, General Manager, Bank of Ottawa  
M. J. A. Prendergast, General Manager, Banque d'Hochelaga

Messrs. E. Stanger and A. D. Durnford were named as Auditors for the ensuing year.

It was moved by MR. HAGUE, seconded by MR. THOMAS, and resolved :

"That the Executive Council take up the subject of extending the obtaining of crop reports to the provinces generally."

MR. Z. A. LASH, Q.C., read a paper on "Dissolutions of

Partnership," and on motion of Mr. HAGUE, seconded by Mr. PRENDERGAST, it was resolved :

"That a very warm vote of thanks be tendered to Mr. Lash for his valuable paper just read, and that he be asked to permit its publication in the *JOURNAL* of the Association."

MR. LASH consented to its publication.

MR. FARWELL, Manager of the Eastern Townships Bank, read a paper entitled "Deposit Stock."

The following discussion arose with reference to the subject matter of Mr. Farwell's paper :

MR. HAGUE—Would you propose that these stockholders should have any part in the governing of the bank ?

MR. FARWELL—No, they would have no voice in the management of the bank. The advantage which they would have would be that they would get an increased rate of interest without any double liability.

MR. HAGUE—The banks would have to have some Act of Parliament to authorize them to do that ; and we do not want to increase the rate of interest in one shape or other. How is the demand of payment to be made, if you say there is to be an exemption from the necessity of keeping a reserve ? These deposits must be demanded at some time or other, and I don't see how, if they are to be deposits at all, and demandable, the obligation or necessity of keeping a reserve against them can possibly be obviated.

At this point Mr. W. C. Cornwell, delegate from the New York State Bankers' Association, entered the room and was introduced to the members by the President.

MR. FARWELL—I think in my paper I point out that they are not subject to withdrawal. You may sell your deposit share the same as you can sell your bank stock ; and it is but reasonable to suppose that if \$61,000,000 of stock is marketable here in Canada, that this other amount is also marketable. In fact, the stock of the banks is sought after at rates which will only pay an investor about four or four and a half per cent. Why would this stock not be also saleable ?

MR. HAGUE—It would practically be a sort of issue of bonds.

MR. FARWELL—No, because a holder of deposit stock, if he had 10,000 shares, could realize on a thousand or a hundred.

MR. WILKIE—The suggestion of Mr. Farwell is not an

original idea. I mean to say it did not originate in England, because in Toronto the building societies, the loan companies, have followed this identical plan for several years. The Canada Permanent have a large issue of permanent stock, which is nothing more or less than deposit stock. The other loan companies have followed its example. Should the banks, however, enter on that class of business, would there not follow just what occurred in connection with the Australian banks? Then, again, would it not be an inducement to the best class of bank shareholders—those who represent estates, and people of means—to part with their shares in the bank and place them upon the market, depreciate the stock, put it into the hands of speculators, on account of the low rate of interest which they were obtaining upon it. The better the bank, the lower the rate of interest they now obtain upon their investment in stocks. Would it not induce the holders of stocks to dispose of them, and invest the money in this particular security? This, I think, is a point which should be considered if the plan was ever introduced.

MR. FARWELL—In answer to Mr. Wilkie I would say that I do not claim originality for my paper; I have given the source from which I got the idea. I was not aware that it was practised by the loan companies. This plan is, I think, upon an entirely different basis than that of the Australian banks. With regard to the bank getting rid of the stock, they can get rid of it by giving the depositor six months' notice, notifying him that they will cancel this stock. They could also notify him, if the rate of interest at which it was taken drops, that they would reduce the rate, and the depositor could refuse it, and the bank in the meantime would be prepared to pay the amount over to him.

MR. WILKIE—Do you think it would be attractive to persons to take that stock, if they had not the power to withdraw it at any time?

MR. FARWELL—It would be as attractive, and more so, it seems to me, than our present bank shares. The double liability at present no doubt deters a great many people from investing in bank stock; and certainly you are not allowed to invest trust funds in bank stock on account of the double liability. But this I would propose to make available for the investment of trust funds. These funds, as I point out, are now all drawn from the channels of business. Under this proposed scheme they would be left as an available part of the capital of the country, which is desirable.

MR. THOMAS—I question that it would be attractive unless

the holder of the stock had some sort of power, by giving notice, that he could get it back.

MR. FARWELL—If he chose to do so, he could have his money by giving the bank six months notice. Of course if a bank had an equal amount of its capital in this deposit stock, it would be a question whether the bank would notify all of its deposit-stock holders that it would reduce the rate.

MR. THOMAS—But a bank should not be able to declare preferences in favor of one over the other, I suppose. If there were a million dollars, the bank would not have the right to say to certain persons that it was desirable that they would withdraw their stock, and allow others to remain. You would have to do it ratably, and that would cause a great deal of difficulty.

MR. FARWELL—It would if the bank were insolvent. Then, the plan might be that you would notify all the depositors that you would reduce a certain amount on the whole of them.

MR. HAGUE—I don't know how you are to have persons who will be creditors and stockholders. The stockholders are the debtors and the depositors are the creditors. Now, how you are going to make a man a debtor and creditor at the same time I cannot see.

MR. FARWELL—It is done by Act of Parliament. When an Act of Parliament would state that it was legal for a bank to issue this deposit stock, it would make it legal.

MR. THOMAS—It seems to me we attempted something like this in connection with Molsons Bank some years ago. I think it was a more attractive scheme than yours even. We issued a deposit receipt with a coupon attached, bearing four per cent. interest semi-annually, and with the expiration of the time for which it was issued it became due and payable. We tried it for a year or two, and I suppose we got in about thirty or forty thousand dollars. It did not seem to take with the public, however, and we gave it up.

MR. FARWELL—During the whole of that time it did not meet the difficulty. You are obliged to hold just as much reserve against that class of deposits as you are to-day. It goes into your returns as so much on deposit, while this would go into your returns as deposit stock.

MR. THOMAS—You are assuming a fixed reserve. Any banker keeps a record of all his deposits whether they are time or otherwise, and he can have a reserve to meet them.

MR. FARWELL—That would be all right so far as the banker is concerned, but not so far as the public is concerned.



MR. THOMAS—One of the greatest safeties is that the bankers know that they must pay their debts, and that if they do not they must close up.

MR. HAGUE—It seems to me to be a scheme of issuing bonds. It comes practically to that, and the only possible practical form would be to authorize the banks to issue bonds. I would like to ask Mr. Cornwell a question with reference to the amount on deposit with the American banks which is free of interest. Do not the American banks have a much greater amount free of interest than we have?

MR. CORNWELL—I can only speak advisedly about Buffalo. I am sorry to say in Buffalo we have two or three large savings banks which pay a rate of interest which compels the banks of discount to pay a similar rate. The result is a great deal of competition for money at interest, and I fear the banks of Buffalo have probably a very large proportion of interest-bearing money. I imagine that the proportion is very nearly two-thirds of their deposits and possibly three-fourths. As to what the general rate is throughout the United States, I am not sure. The rate paid in Buffalo is from three to four per cent., which is about the Canadian rate.

MR. THOMAS—Is it not the case that in some of the Western States they even pay a higher rate for money on deposit?

MR. CORNWELL—Yes, in the very far West. There the rate they can obtain for money is something phenomenal at times, and consequently they pay higher rates than we do.

MR. THOMAS—I must say Mr. Farwell's scheme does not strike me with a great deal of favor, yet we ought to be exceedingly grateful to him for the suggestion, and it would be well to refer it to the Executive Council to discuss the matter later on.

The PRESIDENT—I think we have had a good deal of discussion regarding Mr. Farwell's paper, and we owe a great deal of thanks to any one who puts a paper before the Association which creates profitable discussion. I am sure the value of his suggestions has not been lost upon any of us, and the proposal has been made that the matter be referred to the Executive Council, of which Mr. Farwell is a member, and at any time during the year the matter may be discussed again.

MR. FARWELL—Before closing, I would say that I brought forward this matter with a great deal of diffidence. I had no expectation that it would be adopted; but it really strikes me as something we might consider, and later on it might recommend itself to our Association.

On motion, the subject of Mr. Farwell's paper was referred to the Executive Council for later consideration.

Mr. Knight proposed that the incoming Executive Council take into consideration the question of members of the Association applying to the solicitor of the Association for legal opinions on points affecting their interests or of submitting legal opinions obtained from their individual solicitors, and of setting aside a certain portion of the funds of the Association as compensation for the services which the solicitor would thus render.

The President said that if the Association approved of Mr. Knight's suggestion, it might be well for the Executive to consider the relations existing between the solicitor, Mr. Lash, and the Association. He did not consider they were on an equitable basis at present, and the Association no doubt trespassed a good deal on his good nature.

It was moved by MR. WEIR, seconded by MR. WOLFERSTAN THOMAS :

"That it be a recommendation to the Executive Council to name a sub-committee to interview the Dominion Government with a view to obtain a reduction in the rate of interest paid on Government and Post Office Savings Bank deposits to three per cent." Carried.

The President laid on the table a telegraphic code for the special use of bankers, prepared by Mr. Snyder, of the Traders' Bank, North Bay, Ont., and suggested that the Executive Council name a committee to examine the code.

It was decided that the Executive Council should name a committee to consider the advisability of adopting or otherwise dealing with the cipher code submitted by Mr. Snyder.

MR. WILKIE—The sad duty has fallen to me, though I am quite unprepared for the task, of moving a resolution of condolence to the family of the late Mr. Stevenson, and of appreciation of his services to this Association and the banking interests of Canada, and also, I might say, to the people of Canada. He served this country in various capacities for a number of years. He was a volunteer during the Rebellion. He was an officer connected with the Commissariat Department. He was a public servant in Ottawa; and as a banker he has had, I think, more to do in framing the banking ideas of this country over a long period of years than any of us here have had the oppor-

tunity of doing. Moreover, he has had in his hands during his lifetime the training of many men—I am speaking now from what I had an opportunity of seeing myself. He did it with a most laudable object—that is to say, he did it with a view of improving the employee himself. He had the interest of the employee at heart at all times. He would go out of his way with a junior clerk to assist him in writing a letter, in expressing himself properly, and he was always ready with his pen, his library, and his house, to assist those who were under him in educating themselves, not only in banking, but in literature generally. I can speak also of his hospitality, which extended at all times to not only those who were immediately in his own circle, but to strangers wherever they might come from. As a banker we know his success. I have a vivid recollection of the first day he became manager of the Quebec Bank in 1865. The banks in this country at that time were not in the same position as they are to-day. They had not the extended ramifications which they have to-day; they had not the large reserves which they have to-day; and they had not the liberty of action which they have to-day. Mr. Stevenson took hold of the Quebec Bank when it required a strong hand, and he brought it to the position which it occupies to-day as one of the most successful institutions in the country. I was fortunate in being in Quebec last November, and in visiting him a few days before his death, not thinking at the time that he would be removed from us so suddenly. Although lying on his back suffering pain, he was then busy writing out a history of one particular stage of banking in this country. I hope he was able to conclude these labors; for it seemed to be the ambition of his life to conclude these labors before being called away. Although he was conscious of his danger, conscious of approaching death, he was not aware it would come so suddenly. I may say, however, he was quite prepared for whatever might happen. Although death was written on his features at the time, yet he faced it nobly; and I am quite sure that if we follow in his footsteps we will be able to meet it as he did. I now move the following resolutions:

“That the Members and Associates in annual session have great cause to deplore the death of James Stevenson, Esq., General Manager of the Quebec Bank, who, for a short season held office as an Honorary President of the Association:

“That the Association regards the lengthened career of the deceased as affording a worthy example of a life made useful not only in his own professional sphere, but in the community at large:

“That his character and high attainments present a model

for our imitation, and that in condoling with the relatives of the deceased and with the directors of the Quebec Bank, this Association desires to testify, as well to its high appreciation of the value of the contributions of the deceased to the banking literature of the country :

"That his name be held in affectionate remembrance, and that a copy of these resolutions be transmitted to the family of the deceased and to the institution of which he was chief executive officer."

MR. McDUGALL—I will not add to the words said by Mr. Wilkie; but as Mr. Stevenson's successor I desire to record my thanks for the manner in which he has spoken and for the resolutions.

Mr. Thomas and Mr. Hague followed with remarks eulogistic of the late Mr. Stevenson, and the resolutions were put and carried.

On motion it was decided to recommend to the Executive Council that the annual meeting in 1896 be held in the City of Ottawa during the last week of August or the first week in September, in any case prior to the close of the railway excursion season.

Moved by MR. FYSHE, seconded by MR. PRENDERGAST, and resolved :

"That the thanks of this meeting be and they are hereby tendered to the Quebec bankers and citizens, to the President and Committees of the Union and Garrison Clubs, to the Quebec Amateur Athletic Club, to the Commodore and Committee of the Quebec Yacht Club, and to the Rector and Gentlemen of Laval University for their united kind hospitality during our visit; to the Hon. Mr. Chapais and other members of the Government for placing the Legislative Council Chamber at our disposal for the purposes of our meeting, and to S. S. Hall, Esq., Gentleman Usher of the Black Rod, for his kind attentions."

MR. HAGUE having been asked to take the chair, on motion of MR. COULSON, seconded by MR. FYSHE, a hearty vote of thanks was tendered, all standing, to Mr. Walker, the retiring President, for his efforts to advance the aims and objects of the Association during his term of office, and for his able conduct in the chair.

MR. CORNWELL, delegate from the New York State Bankers' Association, added his congratulations, and after a short response from Mr. Walker, the proceedings of the Fourth Annual Meeting were declared closed.

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### THE BANQUET

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The Association's annual banquet was held under the auspices of the banks having their head offices in Quebec city, at the Chateau Frontenac, on Thursday evening, 12th September. The President, B. E. Walker, officiated as chairman, and among the guests, who numbered about 150, were the following: Admiral Erskine; Sir Napoleon Casault, K.C.M.G., Chief Justice of the Superior Court; Hon. Mr. Justice Andrews; W. C. Cornwell, delegate from the New York State Bankers' Association; Hon. P. B. Spence, United States Consul; Hon. Louis Beaubien, Commissioner of Agriculture; Hon. H. G. Joly; Hon. P. E. Leblanc, Speaker of the Legislative Assembly; Hon. L. P. Pelletier, Provincial Secretary; Sir A. P. Caron, K.C.M.G.; Hon. Mr. Justice Routhier; Hon. L. O. Taillon; Hon. Mr. Justice Chauveau; Hon. T. C. Casgrain, Attorney General; Hon. Thomas Chapais, Speaker of the Legislative Council; Z. A. Lash, Q.C.; R. R. Dobell, etc.

Responses to toasts were made by the following gentlemen: Col. Spence and W. C. Cornwell, "President of the United States"; Admiral Erskine, K.C.M.G., "The Army and Navy and Local Forces"; Sir A. P. Caron and Hon. L. O. Taillon, "The Parliaments of the Dominion and Province"; Geo. Hague and Hon. L. Beaubien, "Our Material Resources"; Hon. Mr. Justice Routhier, "The Learned Professions"; Hon. T. Chapais and Dr. Stewart, "The Press."

A transcript of these responses is available only in three instances. These three, however, were important and

well considered utterances, and a report of them is here given :

"THE PRESIDENT OF THE UNITED STATES"

SPEECH OF MR. W. C. CORNWELL

It is rarely that a speaker is so happily fitted with a subject as I feel myself to-night to be, for if there is one toast above another that a banker and a business man from the United States would rather speak to at this time it is "The President." I say "at this time," for for two years past the fortunes of the entire community have hung upon the courage and wisdom of the Executive, and all eyes have turned to him to see that the honor of the nation was preserved and that the delicate commercial fabric was held aloof from complete destruction.

I speak to-night entirely outside of politics, although myself a Republican. In the clear sunlight of business, politics become cobwebs.

During the eventful period since the panic times of '93 two great crises have developed in the United States, and in both of these Mr. Cleveland proved himself to be fully equal to the demands made upon him. In the first, sturdy determination and staying courage were needed; in the second, prompt decision, skilful financiering and aggressive bravery of action.

The period during which the silver purchase repeal was taken up was the turning point in the nation's career from bad to good finance.

The long, weary struggle of that time brought out in all its hideous proportions the dangerous unfitness of politicians to control the machinery of commerce. Wicked delay was protracted almost indefinitely by the stubborn selfishness of the Senate, when factory after factory was closing and hunger and winter were impending.

How stood the President then ?

We who watched that struggle from day to day remember the terrific pressure brought to bear upon him to yield to compromise with the selfish interests of the silver men, and how bravely he withstood every wile, and how, through his manly insistence upon unconditional repeal, the enemies of honesty were at last compelled to surrender. Unawed by threats of enemies, unmoved by the entreaties of political friends, unbiased by fears of party dissolution, with mind made up as to what was right, he stood in the breach, almost alone at times. Had it not been for his indomitable will, who can say what the result would have been ? When the happenings of those times have

crystallized into history, the name of Grover Cleveland will shine out clear as the hero of the hour, the man whose courage stemmed the tide of shifting compromise, brought to naught the craft of trimming politicians, and saved the cause of honest money.

From that time on the faith of the business men, irrespective of political preferences, was firmly fixed in the President.

Then came another emergency. The hard times of '94 were dragging slowly on. We had stopped buying silver, but the great mass already accumulated lay, a sodden weight, upon the delicate machinery of credit. One thousand millions of currency were depending for redemption upon a slender thread of gold, and with expenditures exceeding revenue, the eyes of the careful and wise were fixed upon the shrinking gold reserve. The President had declared repeatedly that the Government would redeem in gold every obligation payable in coin. But still the reserve sank. An issue of bonds for gold was made, but the gold was no sooner turned into the treasury than it began to pour out again as through a sieve. The demand for it came from hoarders at home and investors abroad. Europe was becoming distrustful. The free silver men were insisting that coin in the bonds meant silver—repudiation of fifty cents on the dollar of debt. They were breaking the credit of one of the richest nations in the world. Daily statements were published in the newspapers of the millions of gold taken from the treasury and shipped abroad. Another issue of bonds was made, but the gold from these went out faster than before. The President was struggling bravely alone—opposed vehemently by his own party—the opposite party glad of the rupture, and helping it along—the Populists and silver men doing their best to defeat honest money. Congress resolutely refused to accede to the urgent message of the President asking for bonds payable in gold.

In January, 1895, the situation became critical. Every day the balance of gold in the treasury had become smaller and the demand larger. There was a run on the treasury, and scarcely three days' supply of gold left. Unless help was promptly forthcoming, obligations must be dishonored. We were within 48 hours of slipping upon a silver basis—on the eve of a terrible panic, to be made deadly by the snapping out of circulation of six hundred millions of gold.

At this juncture the President's rare common sense and good judgment came to the front. He called to his aid two of the most able and powerful bankers in the United States, Mr. August Belmont and Mr. J. P. Morgan. Through Mr. Belmont the Rothschilds, the greatest bankers in the world, were interested. A purchase of 3,500,000 ounces of gold, to be paid

for in bonds, was made. By a stroke of financial genius the responsibility of making the bonds high-rate and low-priced if payable in coin, or low-rate and high-priced if payable specifically in gold, was thrown upon Congress. That body threw away the priceless advantages of the latter course, and in senseless anger disgracefully voted down a plain business proposition, which would have saved sixteen millions of dollars to the taxpayers.

But the transaction was completed. The honor and credit of the nation were threatened before the world, and had been saved by the President. Upon public announcement of the contract, withdrawals of gold ceased, and gold which had already been taken out was returned to the Treasury. The reserve was gradually restored, confidence began to increase, business slowly to revive and prices to advance.

And so once more our President proved himself the man for the hour.

When the silver heresy, which we all supposed dead when the purchase clause was repealed, began a few months ago to writhe and wriggle again, like a snake whose head has been crushed, but whose body continues to live till sundown—when this phenomenon exhibited itself Mr. Cleveland sounded once more the call to battle, defined the issue as one between the honest gold standard and silver monometallism, and sent his lieutenants west and south to pierce the body of the reptile. Three sturdy killing blows were those of Carlisle in Kentucky. The snake is now in its last gasps, and its carcase will be swept away in the rush of returning prosperity.

You are familiar with the history of trade in our country for the last few months, and how the efforts of the syndicate have restored confidence, and prosperity is coming. There has been some idea that October might mark the termination of the syndicate's good work, but there is no certainty of this. That President who made the splendid bargain of February can and will make (perhaps already has made) another equally good. Of this we are certain, that as long as God spares his life he will maintain the faith and honor of the country, and will buy all the gold of South Africa if necessary to do it; and so we are sure of the situation, not only until October, 1895, but until the 4th day of March, 1897.

Instead of the threnody of woeful idleness of a year ago, we hear to-day in our land the hum of whirring wheels—resurrected industry chanting the psalms of peace and plenty.

In Canada and in England you have crystallized in anthem that hope for the long life and prosperity of the grand woman who has for so many years upon the throne of Great Britain made sovereignty and womanhood both glorious—the hope,



which is the prayer of the people—"God save the Queen." In our own country there has grown up in the hearts of the community, and especially in the homes of the wage-earners, gratitude for work resumed and wages increased and happiness restored; gratitude to one man, whose firm hand and stout heart, divinely guided, have stayed the avalanche. And the gratitude has framed itself into a prayer in the hearts of the toilers of America—a prayer similar to yours; it is "God save the President."

### "OUR MATERIAL RESOURCES"

SPEECH OF MR. GEORGE HAGUE

In speaking of the resources of the Dominion of Canada, I must first endeavor to correct some well meant but much mistaken representations that have been made upon the subject—which representations, though apparently advantageous and flattering to our national pride, are capable of being used, and indeed are constantly used, much to our discredit and disadvantage. Nothing is more common in speaking of our resources, than to refer to the vast extent of our territory, and the immense number of square miles that each of its provinces comprises. This very Province of Quebec, for example, has an area larger than that of Great Britain. Ontario is bigger than the whole of France. While Canada as a whole is sometimes enthusiastically described as having far more territory than the whole of the United States. All of which is undoubtedly true, so far as mere measurement in square miles concerned. But taken by itself, and apart from further information and explanation, it only leads to very embarrassing questions and very humiliating conclusions. For if our territory is as large as that of the United States, and on the same continent; and if, as is true, the exploration and settlement of the two regions began nearly at the same period, the question inevitably arises: Why then have you made so little of all those resources hitherto? Why is your population only one-tenth of that of the United States? And how is it that your trade, commerce and realized wealth presents such miserable figures alongside your great neighbor? What is the matter with you? What has been the matter with you during the last 200 years? And an observer, especially from the United States, would be much inclined to one of two conclusions, or perhaps both. Either that we were a slothful, unenterprising, easy-going and non-progressive set of people, or that if not so naturally, these effects have been produced by the blighting influences of

monarchical institutions. And in truth this is very much the course of thought both on this side of the Atlantic and the other. It is a fixed conviction of the people of the United States that Canada is slow and backward; and one constantly hears it; people don't argue about it, it is a sort of axiom; it is taken for granted. And British opinion on the subject is very largely taken from the United States sources, besides which they have the evidence of the immense volume of trade with the one, as compared with the relatively small figures of the other. All which is founded upon these most irrational and misleading statements about the area of our respective territories.

Now, it will be evident on the smallest consideration, that statements about square miles of territory are absolutely valueless, unless the character of the territory itself, the nature of its soil, and capacity of production, are put prominently forward. Take for example what we see around us in this grand old capital city; a narrow strip of beautifully cultivated country stretches before us on looking northward, then arise a series of forest covered mountains, which mountains stretch away and away for scores and hundreds of miles with a mere fragment of arable or improvable ground, as far as the regions of eternal ice and snow around the Pole. Pursuing our course down the magnificent and expanding St. Lawrence, these mountains come to the very edge of the river, leaving not a single mile of territory susceptible of cultivation or habitation. A good deal of the same development is observable on the south shore; only a small, narrow slip is susceptible of cultivation, and you soon come to the region which must for ever remain in a state of wilderness and forest, inasmuch as it is incapable of being turned to any other uses. Yet all these vast stretches of uncultivable territory, mountainous and forest clad, where no industry can possibly be carried on but that of the lumberer, the trapper and the hunter, are included in any statistics of the extent of the provinces; and people taking these statistics, who are ignorant of the realities of things, make foolish comparisons, and say that we have so many square miles in Quebec, and so many square miles in Ohio or Illinois, and say if these States produce so many millions of bushels of wheat, corn, cheese, cattle, and what not, all owing to their energy and industry, what a miserable set of people they must be in Canada, who from the same area do not produce a tenth part of the returns. The same remark applies, also, to a considerable extent, to Ontario. There are enormous regions comprised under the name of Ontario that are uncultivated, and uncultivable, that must remain for ever a vast region of rock and forest. In fact, the greater part of the mere mileage of these older provinces represent what must for-

ever be a natural wilderness. And these remarks might be extended also to Nova Scotia, New Brunswick, to the Northwest, and to British Columbia. The enormous territory that some people so ignorantly speak of is only available in certain parts and to a certain extent.

I make bold to say, and I will challenge proof to the contrary, that Canadians have made fully as much, if not more, of the available resources of their territory so far, as the people of the United States. I say that of such regions, and they are very large indeed, that are susceptible of clearing and cultivation. We have cleared and are cultivating, and have developed out of what was wilderness within the memory of man, great regions covered with all the appliances of civilization. Roads, bridges and steamboats, and railways, farms, farm houses, orchards and gardens, villages, towns and cities, which we are not ashamed to put alongside of the same things either in the United States or in any country in the world. But it would be just as absurd to expect the mountainous region of the Adirondacks in New York to grow as much wheat and as fine crops as the best portions of Ohio or Illinois, as to expect the vast mountainous regions of our northern territory to become the houses of civilization, and exhibit all the developments of advancement and progress. Canadians cannot be twitted with being slow and unprogressive, and that our form of government has not been a blight upon our energies, can be demonstrated by a very brief statement of facts. The whole settlement of what is now Canada, and the only possible avenue of settlement up to the time of the conquest, was by the St. Lawrence River and waters bordering upon it. Instead of a great stretch of Atlantic coast running from Maine to Georgia, with scores of great rivers debouching up into it, and up which the tide of settlement flowed in vast quantities, we had simply the St. Lawrence river and the thin strips of land bordering the Gulf of St. Lawrence and the Bay of Fundy. Up to the time of the American revolution, about two hundred thousand people had come and settled on the edge of the waters, Montreal being then almost the farthest bound of civilization. The United States (comprising all New England, New York, Pennsylvania, Maryland, Virginia, Delaware, North Carolina, South Carolina, Georgia), more accessible, more productive, and up to that time far exceeding in natural resources, had come to have a population of about three millions.

Now, we will take that as a starting point, for that is the only fair starting point when comparing the commerce of the United States and Canada—3,000,000 of American people with all these enormous and valuable territories in their possession

started on a career of business advancement and civilized development, while far away to the north, these 200,000 people thinly scattered over regions infinitely more sterile and inhospitable also, commenced their existence under the auspices of the British Crown. One hundred and twenty years have elapsed, and what has been the fate of each of these companies of people? The three millions of United States people have become 60,000,000, the increase being twenty fold. The 200,000 of Canadians, partly French, and partly English in origin, have become 5,000,000, the increase being twenty-five fold. We have increased more rapidly in population. Instead of being slow and unprogressive, we have increased at a greater rate than our neighbors. It is impossible to make any comparison with regard to trade, commerce, value of products, or what not, for the same period, and I merely make the comparison in order to show the great folly of estimating our country by its mere mileage, and so laying ourselves open to most undeserved reproach. We have not the same kind of territory in many respects as our neighbors, but of such resources as Providence has given us, we have made the very best use. And to prove that we are not a slow, unprogressive and unenterprising people, but a people of rapid growth and extraordinary development especially during the last 50 years—I will put a few figures which are taken from statistics that can be relied on. I say that can be relied on, and I will try to make a right use of them. It was Lord Palmerston, I think, that once said that “nothing told so many lies as figures, unless,” he added humorously, “it be facts.” Now the figures and facts I am about to give you are reliable, and they demonstrate two things.

First: That Canada forty years ago had a large amount of undeveloped resources, and the next, that during that time we have developed them to a very surprising degree. We have had banking returns published by our Government for about 40 years. These returns are reliable beyond question. Now what do these returns tell us? They tell us that the whole of the savings of the people of Canada deposited in banks of all kinds amounted to \$15,000,000. These deposits now amount to \$270,000,000!—an astonishing development indeed, you will say. For bear in mind, that these figures are not swelled with enormous sums deposited by the people of England in our banks, as was the case with Australia. These \$270,000,000 belong to the people of Canada, and whence has it come? What has it grown out of? What has been the origin? The \$15,000,000 was all that the people had saved up to that time out of their labors in developing Canadian soil, Canadian forests, Canadian mines and Canadian fisheries. And now we

have pushed our cultivating of the soil, our clearing of the forest, our creation of farms, our development of mines and fisheries, and of manufactures, till the fifteen millions have grown to two hundred and seventy millions in forty years!—the whole increase representing what has been drawn out of this territory, which was once thought to be “only a few arpents of snow!” It is apparent that the increase in wealth in Canada has been more than ten times as much as the increase in population. Take another set of figures: the loans and discounts of the banks forty years ago were about \$30,000,000. They are now \$202,000,000. Now what do these figures represent? They very largely represent the stores and stocks of all sorts of merchandise, both imported and produced in the country, and being subjected to the processes of commercial development. The business of our merchants, traders and manufacturers has developed in forty years to such an enormous extent as is represented by the change from thirty millions to two hundred millions! Now, as the population has increased during the same period in nothing like the same proportion, it follows that the population of Canada now, man for man, woman for woman, is possessed of enormously more money than it was forty years ago, and does enormously more trade than it did forty years ago, all of which demonstrates that the people of Canada during the last forty years have not been slow and unprogressive, but have progressed at an astonishingly rapid rate, and their power of making money, accumulating wealth, and increasing business, in fact in developing to the very highest point the opportunities placed around them, in cultivating the soil, felling the forest, delving the mine, fishing in lake and sea, and turning every resource of the country, both natural and artificial, to the very best advantage. I say all this demonstrates a progression which, if ever paralleled, we should like to hear of.

There is, however, another aspect of this matter. In addition to the large expansion of the discounts of banks, which demonstrate an enormous increase in the mercantile business of the country, there has also been even greater development in the business of the companies who lend money on mortgage. Now, in nothing has there been greater misapprehension than in the bearing of these mortgages. They are supposed to be an indication of backwardness and of poverty. I will try to show you they are nothing of the kind. When landholders in a country like England, that was improved to its utmost development hundreds of years ago, borrowed money on their estates, as they often have done, to make up for the extravagant expenditure they have carried on, nothing can be clearer than

the fact that the mortgage is an indication of poverty. But it is entirely different in a country like Canada, where there has been a constant process of creating property out of a wilderness of woods and forests. Almost the whole of the work of turning these immense stretches of forest into farms and valuable remunerative properties, has been by borrowing money on mortgage, and the properties that have been created are well known to be worth vastly more than the money borrowed on them. I speak, of course, in general terms, making allowance for particular exceptions. It is well known that these loan companies never lend more than half, and in very many cases only one-third, of the value of the properties they lend upon. Taking that as a basis, let us see to what result it leads. The whole of the loans by mortgage companies forty years ago was about \$3,000,000. That would represent properties worth from \$6,000,000 to \$8,000,000. In addition to that I have no doubt that some of the bank discounts were at that time represented by real estate, probably \$4,000,000 or \$5,000,000. That would make a total of about \$8,000,000 loaned on properties and representing a value of about \$20,000,000. What is the condition now? According to the latest returns of the companies they have loaned on property the sum of \$110,000,000, which represents a value, all created during the last forty years out of the wilderness of our forests and woods, of \$250,000,000. The surplus, over and above encumbrances, of these properties forty years ago, was about \$12,000,000. The surplus now is \$140,000,000, all of which is owned by the inhabitants of this country, as indeed is more than one-half of the money loaned itself. But putting that aside, it is evident from these returns of the mortgages, that properties to the amount of about \$250,000,000 have been created out of what was formerly a wilderness, an evidence of the truth of what used to be claimed of Canada, that it was a country of great future resources.

But now you are all wondering, doubtless, why nothing has been said about our great North-West. Well, a great deal of nonsensical talk has been indulged in about that, too. Some people have said, why couldn't Canada have occupied these vast prairie regions as soon as the United States did theirs? forgetting that the prairie regions of the United States were a thousand miles nearer than those of Canada are, that they directly adjoined the great cultivatable regions of the older Western States, and that the wave of emigration met with no obstacle whatever in going over from the cleared lands of Ohio, Indiana and Kentucky to swarm over the great plains of Illinois, Nebraska and Kansas. There was no obstacle whatever in the

way. But think of the obstacle in our way. Nearly one thousand miles of rock, woods and mountain, thoroughly impenetrable in former times. It used to take Sir George Simpson nearly six months to make the journey from Montreal to Fort Garry, where Winnipeg is now. How could any emigration, by any possibility, surmount obstacles like that? The country could only be opened up when the settlement of the United States approached the borders of our own territory, and when men could pass through by rail and river, proceeding from the older States through Minnesota and Dakota, to our own prairie regions. But we have got a Pacific Railway now, you will say. Undoubtedly we have. But all settlement of new countries proceeds in waves of population, and the larger the wave of contiguous population the larger the emigration will be, and *vice versa*. For it is a law of emigration that those who are already settled in a new country are the persons who draw others after them. Now, for the last twenty years you have had a drawing power exercised by forty or fifty millions of people against the same power exercised by four or five millions. That is the real reason why a settlement of our North-West has not been more rapid. But don't let us delude ourselves by estimating progress merely by the growth of population. There cannot possibly be a greater fallacy. Taking the development of production, there has been as great a growth in our North-Western prairies as there was in the prairies of which Chicago is now the centre in former days, and as it has been demonstrated that the country is one capable of almost every kind of agricultural development, and as there are millions and millions of acres of it in the state of nature at present, one may forecast, without claiming to be a prophet, a development in the future on quite as remarkable lines as has been seen in the past.

Now I think I have said enough regarding a great subject. One might make a speech about it as long as the Finance Minister's in introducing the Budget, but you cannot stop here until daylight. I have just indicated a few leading thoughts. Doubtless your own intelligence will enable you to follow them up. I think I have demonstrated two or three things: 1. That the development of this country cannot be measured with any sort of accuracy, by the extent of its mileage and the growth of its population. 2. That the development in the shape of savings and of increased business during the last forty years, has been simply phenomenal and in a ratio enormously in excess of the increase of population. 3. That we have made the very most of such resources as Providence has placed within our reach. 4. That we have all reason, in spite of all drawbacks, to be most hopeful about the future of our country.

“OUR MATERIAL RESOURCES”

SPEECH OF HON. L. BEAUBIEN

Mr. President, permit me to tell you with how much pleasure we have heard you speak of what we all hold so dear—our traditions and our history. You have read the latter—and we are glad of it. More than this you freed yourself of the rigid form of the financier and spoke with a poet's inspiration. You have rendered homage to all the glorious traditions of this old city of Quebec, the cradle of our people. You appreciate them like us and with us. In a word, you are one of us both in the present and in the storied past. We welcome you to them all. You have the heart to understand, as well as the brilliant speech to express. The speeches this evening have been on broad lines. With representatives present from the Dominion, from Great Britain and from the United States, this could not but be the case. I am called upon to address you as representing this province. Pray bear with me then if I somewhat restrict the field of my remarks and speak only of matters relating to the province. I have to dwell on our material resources. I find them, gentlemen, described in your speeches, in your reports to your shareholders. I might content myself with quotations to show you that these resources are considerable, and that Providence has been generous to us in the distribution of her gifts. For the whole length of the majestic St. Lawrence we have the most fertile lands in the Dominion, without any disparagement to the great Province of Ontario. The chain of the picturesque Laurentian mountains furnishes us with those admirable pastures that will assure long success in our great dairy industry. Do you remember how, two years ago, when the storms of financial disaster beat on the shores of neighboring lands, and when we feared a like fate for ourselves, after scrutinizing with attentive eye the financial horizon, and consulting the resources of the country, you declared to us that we could face the tempest? What a splendid eulogy you then made of our material resources. Outside all gave way, inside all remained firm and upright. The dairy industry, said Sir Donald Smith, the President of our great bank, distributed wealth at an opportune moment through the country. The life-giving influence of cash business, originating in the humble dwelling of the farmer, gradually, surely and efficaciously made itself felt throughout the whole system, sustaining people's courage and assuring all transactions. Then, in your speeches and in your reports giving testimony to the truth, you declared one after another that our fifteen hundred butter and cheese factories had saved the situation, and your statements were



quite true. I would not thus express myself if I had not the opinion of others to back me up. We have then, in our dairy industry, an immense force and material resource. And how it grew as it enlarged all the time! It is now four years since, in 1891, we had in all 722 butter and cheese factories. To-day we have 1453, or over double that number. This year we will sell a million dollars worth of products of the dairy industry more than last year. The production of butter and cheese in 1890 and 1894 compare as follows:

1890		
	Lbs.	Value
Cheese made.....	23,626,950	\$2,362,595
Butter made .....	2,779,668	555,932
1894		
	Lbs.	Value
Cheese made.....	55,180,696	\$5,518,069
Butter made .....	7,704,172	1,540,834

An increase in value of \$4,140,376, in the production of 1894 over that of 1890. As the operations become more remunerative the farmer makes improvements. Everywhere old methods are being discarded and meetings are being called to discuss the best methods of instruction. But figures again, for that is what is necessary to prove to you that in the province people have effectually embarked in the way of progress. Public men, bishops, curés, and even the people of the cities, all wish to take part in the movement. Four years ago we had 73 agricultural societies. To-day we have 600. Then we had 7,000 subscribers to our agricultural journal, now over 50,000. Then we had hardly 20 pupils in the agricultural schools; now we have 125. The clergy itself has undertaken to find pupils, and is doing the good work well. Already two immense meetings, presided over by His Honor the Lieut.-Governor and by the Archbishop of Montreal and the Bishop of Three Rivers, have been held to urge the farmers to send their children to the agricultural schools. On all sides the appeal meets with a glad response, and now, praise be to God, agricultural instruction is quite *a la mode*. There is no encumbrance in the noble profession of farming. There will always remain the generous soil for our young people—always an assured quiet and happy future on the soil of one's country. There will be no more emigration, no more exile, the nation preserving all its strength. We are about to create another resource in the exportation of fresh butter. I will only have the official reports in the autumn, but I can already announce that, thanks to this system, our exports this year will be six times greater than during the corresponding season of last year. At first there was more than one incredulous scoffer at the attempt to encour-

age the manufacture of winter butter. The following is the result of the three years during which this article was boomed by the Quebec Legislature:—1893, butter made, 141,251 lbs., value, \$31,537; 1894, butter made, 255,868 lbs., value, \$60,094; 1895, butter made, 562,158 lbs., value, \$115,011, an increase in value of production of 1895 over that of 1893 by \$83,474. The bonuses paid last winter amounted to \$8,205. According to this rate of increase I would next winter have to ask our honorable Treasurer and Prime Minister for the sum of \$30,000. In this matter we are imitating the Danish agriculturists. They, for the greater part, send their butter to the London market, when the sun is at its zenith and the price is at its lowest. They produce more milk in January than in July, and for their winter butter they get the highest market price. In order to establish this good system in the province I sent two officers of my department to Denmark. Never will the voyage of any two men be more beneficial to our agriculture. See how the idea has taken and rapidly spread. We have now at least 15 butter factories which bravely face the winter with excellent results. Let me mention one fact. Last summer, at Nicolet, during a meeting of the Farmers' Club, at which I was present, I met two farmers who, by reading the *Journal of Agriculture*, had made themselves familiar with what was done in Denmark. These two gentlemen, I will give their names, for they deserve to have their spirit of enterprise made public, the Messrs. Houle, said that they would try winter butter, and began by making the changes necessary in their cattle. Having no butter factory working in Nicolet during the winter, they travelled nine miles throughout the cold season to carry their milk to La Baie du Febvre. One result of this was that although these gentlemen had to travel 18 miles a day, they made \$500 under the new system, exactly double what they had realized during the previous year. Another was that the parish of Nicolet will this year run its butter factory all winter. This practice will shortly become general, and it will be of the greatest benefit to our agriculture. The resources furnished us by our soil are boundless. Let me tell my fellow-citizens of Montreal here present, what an admirable, fertile and immense country they have in their immediate neighborhood at the end of this adventurous railway of the Chute aux Iroquois which has revealed to us a Quebec and Canadian Switzerland. What enchanting lakes! There is one for each Montrealer. Let him go quickly and share this beautiful country. Our English fellow-citizens have not got to be pressed, and are already making an English town out of the pretty and modest village of Ste. Agathe, where some time ago, alas, we found in the wanderings of our youth no shelter but the hos-

pitiable roof of the first settler. And what a territory is watered by these lakes—the valley of the Rouge, of the Mocassa of Lac Chaud, the valley of the Maskinonge, of the Kiamika, of the Lievre, where the wheat producing soil makes it the granary of the province, into which settlers are arriving in crowds. In all these valleys the soil is even, free from stones and admirably watered. While in the months of June and July the sun burns our pastures on the Island of Montreal, heavy mists rise at night from all these beautiful lakes which ornament their several localities like so many jewels. In the morning these mists spread graciously over the surrounding country, watering it almost as abundantly as if it had rained. And the hillside slopes are always green no matter what the heat of the sun. It is a true kingdom, the country of the dairy industry. I indicate its advantages to our entire agricultural population, and to all you other gentlemen who seek a retreat where you may spend in peace a well earned holiday. A finer and more agreeable country resort than that which may be enjoyed by the side of these fine waters, I cannot possibly wish you. To farmers, to workers, I will say, that soil is good and easy to work. It has given me pleasure to see it, and I believe that properly developed it would mean millions for our Province and our Treasury. Farmers, for the sake of your sons and of your families, go and see this splendid territory with your own eyes. Gentlemen, these are our Quebec resources and we have reason to be proud of our inheritance. We are prospering, Mr. President, and I am going to give you the proof taken from a source that you bankers, more than all others, will appreciate. I have no jealousy of the great Province of Ontario. I wish it with all my heart all possible success. But if I can believe the figures that I am about to submit to you, I am forced to the conclusion that we are progressing more rapidly than it does, although we had a longer road to travel. Savings banks deposits have always been considered as denoting the degree of national prosperity. I submit with a satisfaction that I have no desire to conceal the following statement based upon information drawn from official sources: Amount of deposits in the savings banks other than chartered banks:

Ontario, June 30th, 1894 .....	\$18,581,848
"    "    1890 .....	16,883,777
Increase .....	\$1,698,071
Or 10.05 per cent.	
Quebec, June 30th, 1894 .....	\$17,262,801
"    "    1890 .....	14,656,060
Increase .....	\$2,606,741
Or 17.78 per cent.	

During this space of time our progress has been 17.78 per cent., while that of the Province of Ontario has only been 10.05 per cent. Thus establishing our progress, our welfare, our prosperity and our inexhaustible resources, I will say in conclusion that we have a thousand times reason to be contented with our lot. We desire no change. We live happily under the flag that you—Admiral—good servant of your noble Sovereign, bear so bravely on the seas. We have known another flag, Mr. President, which we loved and to which we were faithful, as we now are to that beneath the shadow of which, at the present time, we live happy and free. The majority is in the full enjoyment of all its rights under the rule of our gracious Sovereign. Nobody suffers, nobody complains. The minority is happy and treated with generosity. May the same conditions prevail throughout the entire Dominion and the prosperity of our great country will be assured.

# THE CAUSE OF THE DECLINE IN THE VALUE OF PRODUCTS, AND ITS EFFECT ON THE GENERAL WELFARE OF CANADA

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BEING THE ESSAY IN COMPETITION I. TO WHICH THE FIRST PRIZE WAS  
AWARDED

UPON looking at the prices of commodities during the present century, a continuous decline in the average price of nearly all staple articles from the beginning of the century until the year 1849 will be observed. An upward change then took place, lasting with few variations until the most recent culmination of high prices, that of 1873. Since then, and until the present time, the decline in prices has been both steady and rapid; during a period of twenty-two years the decline, as is shown by the tables of "Index Figures" prepared by authorities using English prices, amounted to from 35 to 40%.

To this latter epoch, 1873-94, attention is especially drawn, as the causes producing the great and unexpected decline during this term have differed largely from those experienced previous to this period, and have left the present prices of almost all products at the lowest average of the century. Manufacturers, agriculturists and merchants have alike met with many unpleasant surprises, especially during the last few years. At a time when prices were thought to be at the bottom—they were at the bottom of other years—further reductions were made that were previously thought impossible. One well known and experienced grain dealer in Minnesota said when asked his opinion as to the future of wheat, "I have no opinion to give on the matter; the wheat market is in a condition that renders useless all my experience." It has been so with other commodities; cotton, wool, iron, steel, petroleum and copper are some of the products which have suffered so severely that experienced dealers in them are at a loss to know what the future may have in store of further changes in their values.

One noticeable feature of the decline in prices is the manner in which it has affected all civilized countries at nearly the same time and degree, the two great Republics of the United States and France having suffered most severely, although Great Britain, Germany, Russia, Italy and other countries have keenly felt the decline.

That severe depressions of all business should accompany this general lowering of prices is most natural; in fact the former introduced and was partly the cause of the latter. A revival of trade set in about 1882, but did not last for any lengthened time.

The following table will show the trend of prices on a number of staple articles of daily use selected generally. The prices are those given by the *Economist* of London, Eng., an authority generally recognized.

Jan. 1st	1873	1883	1892	1895	%
	\$	\$	\$	\$	
Scotch pig iron ton .....	30 90	11 60	11 43	10 13	D 67
Steel rails, ton	27 98 (1879)	26 76	20 38	17 64	D 37
Copper "	450 16	343 03	234 81	210 48	D 53
Steam coal "	5 83	2 31	2 43	2 31	D 60
Canadian Pine, load .....	20 68 @ 25 54	17 03 @ 24 33	18 25 @ 24 33	22 50 @ 27 98	
Leather, lb ..	0 42 @ 0 47	0 36 @ 0 65	0 28 @ 0 69	0 24 @ 0 61	
Raw silk, lb..	3 28 @ 6 20	3 28 @ 3 77	3 16	2 37	D 28 & 66
English wool lb	0 47	0 24	0 24	0 22	D 53
Petroleum, gal.	0 45	0 14	0 10	0 08	D 82
Coffee, cwt ..	20 19 @ 21 40	8 27 @ 10 95	21 04 @ 23 11	19 46 @ 22 38	
Congou tea, lb.	0 18 @ 0 22	0 10 @ 0 18	0 10 @ 0 13	0 08 @ 0 15	D 32 & 55
Brown sugar, cwt .....	6 32 @ 7 30	4 01 @ 4 87	3 04 @ 4 01	1 82 @ 2 68	D 63 & 71
Wheat, bush..	1 71	1 24	1 12	0 63	D 63
Prime beef, lb.	0 14 @ 0 15	0 14 @ 0 16	0 14	0 13	D 7 & 13
Silver, oz ....	1 21	1 02	0 88	0 56	D 54

In this table it will be observed that out of the fifteen articles enumerated, twelve have decreased in price during twenty-three years from 7 per cent. to 82 per cent. The prices have been converted from sterling into currency for greater ease in comparing. Many other articles besides those in this list have declined largely in price, while some few have recorded an advance.

Another table which is submitted will show the average fall in prices. These are the "Index Figures" before referred to, compiled by the *Economist* and Mr. A. Sauerbeck, an eminent English statistician. A word or two as to the construction of these "Index Figures." The *Economist* represents the average price of each of twenty-two selected commodities for the period 1845-50 by 100, and their total average price is therefore 2,200. Mr. Sauerbeck represents the combined price of forty-five articles in the same way by 100. The increase and decrease from these figures will give the mean value of all the products included, not of course making allowance for the difference in importance of the various articles :

<i>Economist</i> , 1845-50—2200	Year	<i>Sauerbeck</i> 1867-77—100
2947 .....	1873 .....	110
2723 .....	1877 .....	94
2538 .....	1880 .....	88
2342 .....	1883 ..	82
2230 .....	1888 .....	70
2236 .....	1890 .....	72
2224 .....	1891 .....	72
2133 .....	1892 .....	68
2120 .....	1893 .....	68
2082 .....	1894 .....	63
1923 (1st Jan.).....	1895 .....	60

It will be observed that the above figures given by the *Economist* show a reduction in general prices of 29 per cent. from 1873 to 1894, and to January, 1895, of 35 per cent.; those of Sauerbeck a reduction to 1894 of 43 per cent., and to January, 1895, of 45 per cent. The decline in prices during the past two years has been most marked, but there are at the present writing indications that the figures for the whole of 1895 will be much higher than those above given for January.

Different reasons have been given for so general a falling off in the values of such a large proportion of products of daily use. One reason that has been urged is that the general standard of all values, gold, has appreciated because of its scarcity, and, by reason of the demonetization of silver, the greater amount of service that is placed upon the stocks of gold now held. There are several conditions which disprove this theory. One is that all goods have not equally declined in value, while some have advanced, nor can it be demonstrated on any reasonable basis

that this uneven alteration in prices is due to other than natural causes, such as those which will be discussed further on. Again the production of gold is now in increased quantities every year, and it must be borne in mind that it is not the *increase* of the annual production but the *total* annual production of gold that is added to the world's stock of that metal, less the amount required for use in the arts. The average production of gold throughout the world for the years 1871-5 was 5,600,000 ounces, the average for the years 1891-4 was 7,450,000 ounces, an increase of 1,850,000 ounces, equal to 33%. Instead therefore of gold having become scarce, recent years have witnessed the greatest annual production the world has ever known, and, as noted by Mr. Preston, Director of the United States Mint, "the value of the gold product of the world in 1893 was only 8.77 per cent. less than the average aggregate value of the gold and silver product of the world in 1861-5." Moreover in these later years when the use of business and private bank accounts against which cheques may be issued is so general, and when the use of bank notes is so universal, the existing stock of gold is being freed almost entirely from the small transactions of daily life, and thus possesses greater power for its legitimate work, such as bank and National reserves and clearings. The resources of gold production appear to be almost exhaustless. Competent judges estimate that gold to the value of over a billion of dollars can yet be taken from a strip of land about eleven and a half miles long in the Witwatersrandt mining district in South Africa, while the whole district has a length of about fifty miles. All gold producing countries are steadily increasing their output of gold, and there is every reason to believe that, not only will the present rate of production be maintained, but will be greatly exceeded. "If there is scarcity of gold now, when was there plenty of it?" The consensus of opinion among most of the first thinkers of the day is clearly against this proposition of the depreciation of goods being caused by the appreciation of gold.

The principal causes of the lowering of prices are to be found in the following conditions: over-production, the immense capacity for production that now exists owing to the greatly increased use of machinery, new inventions and discoveries, and cheapness of freights.



It must, however, be remembered that the past two decades have been almost revolutionary with regard to methods of production and manufacture. The invention of Bessemer for making cheap steel was an immense forward step in the world's progress, making possible the production of steel rails at less cost than iron rails. (Iron rails were quoted in 1882 at \$45.50 per ton ; steel rails were quoted in *New York Journal of Commerce*, March 2nd, 1895, at \$22 per ton.)

Wheat is raised by modern methods on large ranches, and transferred 1,500 miles on land and twice that distance on the ocean from the northwestern prairies to London, and sold in February last at 19s. 10d. per quarter, although when Edward Atkinson in 1887 spoke of 25s. as a normal figure, his predictions were hardly received. The opening of new lands to agriculture, the adoption of new methods of doing farm work on large tracts with modern machinery, the invention of new machinery and methods of manufacture which economize both time and material, have all combined to enormously increase the world's production during the past two decades.

The large number of swift steel freight steamers of modern construction that plough the waters of the ocean, the network of railways that stretch through all civilized lands, and the almost perfect systems of cable wires that now connect the continents, enable the surplus of one country to quickly supply the lack of another, and enterprising merchants and speculators watch with eager eyes for shortages of goods and higher ranges of prices in near or distant markets, that supplies may be forwarded and profits made out of higher prices than can be obtained at home. This perfection of communication permits the keenest competition, thus causing every possible advantage to be taken of cheaper methods of production and distribution.

That these new methods and conditions of production may be more clearly understood a short review of the recent history of some of the leading products will be necessary. The space at hand will not permit a review of many, nor of those at great length, but fully sufficient for this purpose.

**WHEAT**—The production of wheat throughout the world has rapidly increased during the past few years. To show this

more clearly, a list of the production since 1883 is appended (for which *Bradstreets* is the authority), and to which is added the price per bushel in London and New York.

	Thousands of bush. ooo omitted	London Jan. price	New York Jan. price
1883 .....	2,008,000	\$1 24	\$1 12
1884 .....	2,200,000	1 18	1 10
1885 .....	2,048,000	98	88
1886 .....	2,128,000	92	92
1887 .....	2,312,000	1 07	94
1888 .....	2,216,000	93	94
1889 .....	2,137,000	92	1 03
1890 .....	2,254,040	91	86
1891 .....	2,378,480	99	1 05
1892 .....	2,404,560	1 12	1 02
1893 .....	2,457,760	78	80
1894 .....	2,506,400	81	67
1895 .....		63	60

The average production for the four years 1887-90 was 2,232,000,000 bushels; we may therefore assume the total consumption for that period to be not more than 2,250,000,000 bushels per annum. Estimating the annual increase of consumption to be 16,000,000 bushels (*Bradstreets*) the average consumption for the period 1891-4 would be 2,290,000,000 bushels. On this basis (a conservative one) a constantly increasing surplus is observed. An economic rule stated by Mr. D. A. Wells is that, when there is an actual surplus above requirements for consumption of any article, the price which this surplus will command in the open market will govern and control the price of the whole, and the competition among holders to sell this surplus will speedily reduce its price to a point where profit will be almost or entirely nil. The immense production of wheat in recent years is by many authorities considered a sufficient reason for the lowered price. It is not long since the Argentine Republic commenced adding large quantities of this cereal to the world's supply. In 1884 their exports were but 60,000 tons; during the decade since that time it has averaged 100,000 tons; in 1893 the figures were 1,000,137 tons; and for the first six months of 1894, 1,029,546 tons. An export of upwards of 35,000,000 bushels may be expected yearly from this source, on an estimate of over six millions of acres in wheat, and a recent writer assures us that but five per cent. of the area of the Republic suitable for the growth of cereals is at

present under cultivation. This wheat is largely grown within 100 miles from deep water harbors, thus saving much of the cost of land freight. The Argentine wheat growers also are satisfied with a much smaller profit than can be accepted in North America. In 1881, Dakota in the United States raised no wheat for sale. In 1887 its crop was estimated at 62,553,000 bushels and the estimate for 1894 is 65,000,000 bushels. Russia, Austria-Hungary and India also add immense quantities to the stock. The growing of wheat on large ranches has contributed largely to its reduced cost of production. In California and elsewhere plowing is done by steam power and gang plows, and seeding by special machines. Senator Pepper, of the Special Committee on Agricultural Depression in the United States, says the cost of producing wheat has been reduced to thirty-five cents per bushel in the Northwestern States, and twenty-two cents in California, although these figures can hardly include interest on the cost of the land. Edward Atkinson says, in a recent paper, that since 1873 a reduction of 27s. 4d. per quarter (say 83c. per bushel) has been made in the cost of growing, milling and moving wheat from Dakota, Minnesota, Kansas and Nebraska, averaging over 1,500 miles from the seaboard. These items of enormous production and reduced cost of raising, milling and moving, have been the factors which have brought the price of wheat to its present exceeding low figure. One writer includes his whole argument on the cause of the low price into the terse words "too much wheat."

**IRON AND STEEL**—In 1870 the output of pig-iron in the United States was 1,670,000 tons; in 1894 the production was 6,657,000 tons, an increase of 298%. The output of Great Britain increased during this period from 5,960,000 tons to 6,950,000 tons, an increase equal to 17%. In Germany the increase made from 1870 to 1893 (the latest figures to hand) was from 1,390,000 tons to 4,953,000 tons, or 256%, or assuming Germany's production of 1894 equalled that of 1893, the increase of these three countries—by far the largest producers in the world—during 25 years was nearly 106%. (The population of these countries increased from 1870 to 1890, 34%). The production of Bessemer steel has increased at even a higher rate, the increase throughout the world being

324% during the 15 years from 1878 to 1892. These enormous increases are due not to a greater number of furnaces, but to improved methods of production. The *London Iron and Coal Trades' Review* states the case as follows: "The capacity of the 713 blast furnaces in the United States in 1876 was about 5,500,000 tons; the capacity of the 519 furnaces in January, 1894, was not less than 16,250,000 tons; in other words, with nearly 200 fewer furnaces there is three-fold increase of capacity." The sixteen Bessemer converters in the United States in 1876 had a capacity of 500,000 tons; the ninety-five converters in 1894 had a capacity of 7,750,000 tons. The cheap surface ores of the Messaba district, that can be mined and loaded by means of a steam-shovel, and the erection of furnaces in Alabama, where coal and ores are in close proximity, are of note in their effect in reducing prices and increasing production. In a recent address delivered before the American Foundrymen's Association, it was stated that at the works of the Thomas Iron Company, in the United States, the cost of fuel per ton of pig iron produced fell from \$10.07 in 1869 to \$3.48 in 1892, the cost of ore from a maximum of \$14.21 to a minimum of \$5.34, the cost of limestone from a maximum of \$1.30 to a minimum of 33 cents, and the cost of labor from a maximum of \$8.06 to a minimum of \$2.04. The present price of steel rails is about \$22.00, but a recent writer to the *Iron and Coal Trades' Review* stated that at the present prices of American labor and raw material, Mr. Carnegie could produce steel rails "at a good deal under \$20.00 per ton," while in 1884, \$20.00 to \$21.50 was the price quoted in *New York Commercial Bulletin* for No. IX Foundry Iron. The *American Manufacturer*, in a recent issue, says of iron and steel, "a day's work of a man with modern machinery will in some cases give ten to twenty times the output of ten years ago." It is reduced labor cost, the result chiefly of new methods and improved machinery, that has reduced the cost of production, not only improved machinery to do what machinery did a few years ago, but to do what labor did at that time. This seems to be the key to the position with regard to these products. The resources of production are so enormous that not higher but lower prices may still be looked for.

WOOL—The growth of this trade and the increase of production have been very great. The imports into Europe and America of colonial wool in 1872 was 743,000 bales, valued at £19,690,000, or say £26 10s. per bale. These imports amounted in 1894 to 2,152,000 bales, of a total value of £24,748,000, or say £11 10s. per bale. The wool clip of the United States was 264,000,000 pounds in 1880, which increased to 364,152,000 pounds in 1893, and prices in United States of Ohio wool declined from about 38 cents in 1884 to 16½ cents per pound in 1895. These heavy reductions in price have been chiefly due to the large production which has for some years past left an increasing surplus on hand. New countries have been opened up within comparatively recent years for sheep farming; the Argentine Republic increased their stock of sheep during the thirty years ending 1886 from 16,000,000 to 90,000,000, at present showing an annual average clip of four pounds of wool per head. The export of wool from Natal is 300%, and from Cape of Good Hope 33% more than in 1875, and Australasia increased her wool output 232% since 1870. Ocean freights and modern ranch methods of wool-growing, accompanied by economies in the care of sheep and the preparation of the wool for the market, have greatly reduced the actual cost of production. There is little doubt that the production of wool is in excess of the world's requirements, such as they have shown themselves in recent years, and the general knowledge of this acts in a depressing way on the wool market.

COPPER—Mr. A. Sauerbeck estimates by his "Index Numbers" the decline in the price of copper from the average of 1867-77 to 1893, to be 41%; the increase in production from 1870 to 1893, was 223%. The *Economist* figures show a reduction in price from 1873 to 1895 of 53%, or from \$450.16 per ton to \$210.48. The production of the United States increased from 12,650 tons in 1870 to 159,686 tons in 1894. We have also here again to note the effect of modern invention and ingenuity in reducing the cost of working. At the Quincy mine in the Lake Superior region, the cost of production per pound of copper was, in 1870, 14.90 cents, and in 1894 5.68 cents. (During the same period wages increased 9%). A few of the many

causes of the reduced cost of production are high explosives, machine drilling, modern stamps for crushing, reduction in smelting expenses and cheaper transportation. A large sale by the Calumet and Hecla mine at nine cents per pound was quoted in September last. The discovery and operation of new and rich mines in the United States and Canada have without doubt contributed immensely to the increase of production, while the rapidly increasing demand for this product for telegraph wires, cartridges, &c., has also been a cause for its development.

**SUGAR—SILVER—PETROLEUM—**Have each suffered enormous declines in price from increased capacity for, and newer methods of production. The reduction in price from 1873 to 1895, according to the *Economist*, has been about 67%, 54% and 82% respectively. Sugar production increased from 1872-3 to 1885-6, 68%, and from 1887-8 to 1894-5, 63%. It is a notable fact that while the increase of production of sugar from 1887-8 to 1894-5 was 63%, the increased production of *beet root sugar* during this period was 106%. This doubling of the production of the latter variety of sugar was almost entirely due to the bounty system. In nearly all the continents and in the islands of the sea sugar products have received State aid in either growth or export, and recent advices inform us that the State Council Committee on Agriculture in Germany has voted for an increase of bounty and of the internal duties on the amount consumed, and in France and Austria propositions have already been made to prevent the increased import of German sugar, which will be encouraged by the enlarged bounties. The effect of the artificial stimulus to production is readily seen. Prof. Wiley, writing in the *Engineering Magazine*, estimates the world's consumption of sugar at about seven million tons. The production for 1894-5 was estimated at 8,100,000 tons. If Prof. Wiley's figures are correct, ample reason is at hand for the decline in price of this product. Added, however, to the over-production as a cause of reduction in price is decreased cost of manufacturing, as an example of which it may be stated that nearly one-half more sugar may now be obtained from the same weight of beets than in 1876. The German Government re-

turns show that for the manufacture of one pound of raw sugar in 1860, 12 $\frac{1}{2}$  pounds of beet root were required, in 1871-7, 11.82 pounds and in 1892-3, 8.35 pounds.

The production of silver has trebled within twenty-four years, the output of 1871, 52,466,433 ounces, having become 161,170,242 ounces in 1893, and say 149,100,000 in 1894. This coupled with improved methods of production and refining and at immensely decreased cost, has brought the price at the present time so low, but yet at present low prices (the lowest the world has ever known) there is a margin of profit to the producer. The rash attempt of the United States Government to keep up the price of silver by purchasing 54,000,000 ounces per year for coinage purposes, failed to alter the action of natural laws of value and price, supply and demand, and the price has gone steadily down, the price in New York this year being about sixty cents per oz., which is higher than the average of 1894.

The production of crude petroleum in the United States in 1873 was 9,893,786 barrels, in 1887, 28,249,597 barrels, and in 1893, 48,412,666 barrels, an increase in twenty-one years of 389%. The production in Russia also has grown rapidly, amounting to 33,104,126 barrels in 1893. The product of no other one country reaches a million barrels. No other commodity has declined in price to the extent of this, the decline being 82% since 1873. This decline in price was undoubtedly due to the enormous production in excess of demand, the stocks on hand in 1884 amounting to 38,000,000 barrels, more than a year's production of the American wells. The Standard Oil Co. in obtaining entire control of the American product, contributed largely to the decline in price by cheaper methods of production and transportation, the latter by means of lines of pipe through which the oil was run hundreds of miles at small expense, and by specially built cars and steamers; cheaper barrels, boxes and cans, cheaper freights, all permitted lower net prices. Newer methods of refining brought down the price of refined oils faster than the already rapid decline of the price of crude. The consumption is certainly rapidly increasing, a most encouraging sign of which is the fact that Great Britain's importations increased in the past two years 49%. The stocks

on hand in America have in April of this year been estimated as but little over 2,000,000 barrels, so rapidly has the consumption overtaken the supply, and the price in response has increased 200% since the beginning of the year.

Other commodities, mostly of minor importance, have been reduced in price, principally by the same causes as have brought about a reduction in the price of the articles above mentioned. Cheaper labor has been a large factor in reducing the price of many kinds of goods ; but it has not been as a rule on account of lower wages paid the workmen, but of increased product from their labor. (A report to the United States Senate in 1893 gave " Index Numbers " which indicated an average increase of wages from 1870 to 1890 of 23%, and the United States census of 1891 showed an increase of wages in the various manufacturing industries of that country of 40% for the ten years preceding that date.) The manufacture of furniture will illustrate this. The wood out of which it is made is as high in price as it was some years ago, and in many lines much higher on account of the growing scarcity of good material, yet the lower grades of furniture are much cheaper now on account of the increased amount of work that can be done by machines. In shoes also, although the price of leather is much lower than in 1873, it is higher than in 1845-50 ; their cost of manufacture has been greatly reduced by the many machines recently invented. A good shoe can now be made throughout its different processes entirely by machinery.

In the cotton districts of the United States, while opinion is divided, it is considered possible to raise cotton at five cents per pound, this of course on very large ranches. In the manufacture of cottons reductions have also been made, the spindles revolving twice as fast as formerly, and many improvements have been added to the machinery. A revolution in cotton manufacturing is imminent in the United States from the increasing competition of the South with the old-established mills of the North. Mr. Coolidge, an authority on the subject, says that in the South coal can be had at from 80 cents to \$1.50 per ton ; in Lowell, Mass., the price is \$3.50 to \$4.50 per ton ; the southern cost of labor is 30% less than in Massachusetts, and the mills in the South run from an hour to an hour and a



half per day longer. The effect of these economies on the price of the manufactured cotton can readily be seen.

Besides the causes mentioned in the foregoing review of specific commodities, there are other causes which act generally on all products. It will be observed from the "Index Numbers" of the *Economist* that the average decrease of prices from 1st January, 1894, to 1st January, 1895, was 7·64%, a greater percentage than has occurred in any one year since 1878, and the latter being part of the rapid decline from the abnormally high prices of 1873. It would appear then that some special cause must be looked to for the large decline in 1894. That year was a most disappointing one to those who looked for much revival of trade. The Australian collapse in 1893, followed by the general depression of trade and the failure of so many banking, financial and commercial institutions in the United States, made that year a memorable one. It was hoped that that year had sounded the bottom of dull trade and low prices, but such was not to be. For nearly eight months the United States Congress and Senate dallied with the tariff question, entirely regardless of the necessity there was for a speedy settlement of the question, and that their delay necessarily held trade down to the narrowest borders; they persistently declined to take any step towards protecting their paper money, while the heavy drain of gold from the United States treasury gave rise to grave doubts as to their ability to maintain gold payments, thus causing American securities to be distrusted in Europe. This serious crippling of the trade of the United States could not but seriously affect the trade of the world. This is seen in a comparison of the exports of Great Britain to the United States—their largest customer. These declined in 1893 from the figures of 1892, 9½%, and the decline of the year 1894 was about 21½%, the decline in two years being over 29%. In Australia too, things have not gone well. Some of the banks there are finding that their hastily arranged schemes of reconstruction are more burdensome than they can carry, and with some of them an appeal to their depositors for lower rates of interest and longer time for repayment seems certain. The decrease of exports from Great Britain to Australia was 16½% during the two past years. Large numbers of unemployed men have been recorded

in both these countries, thus largely curtailing consumption of all but the bare necessities of life. At one time last year it was estimated there were a million workmen out of employment in the United States. The depression was also considerable in the various States in South America, as also in Europe—all this reducing the market for goods and inviting the closest competition and cutting of rates, until profits were very small, indeed sometimes almost, if not altogether, nil.

Another cause of reduced prices for commodities is to be found in the larger employment of women and boys in many factories. These do and can work much cheaper than a man can afford to, and are to be found in large numbers in the cotton and shoe factories, confectionery manufactories, corset factories, book binderies and other smaller lines of trade.

Nor can the effect of the larger retail stores on the prices of many commodities be ignored. Mammoth establishments conducted on the pattern of Wannamaker's (probably the best known in North America) have been started in nearly every large city, and these establishments carrying on a number of departments or lines of business under one roof, buying direct from the manufacturers, ignoring middlemen wherever possible, frequently controlling smaller establishments for the manufacture of goods expressly for them, and doing a large cash business, not only in their own city, but by means of the post and express offices throughout the surrounding country, are in a position to place goods before the consumer at a price much below that which is possible for smaller houses to do.

Cheaper freights have already been mentioned, and it has been said in a journal lately that it costs no more to send a barrel of flour hundreds of miles by train, than to have it carted a mile through the city. The keen competition between the various lines of railway for business keeps the rates for, at least, "through freights" at the minimum. The present facilities for the transportation of commodities undoubtedly prevents great loss in shipment, and thus reduces the cost to the consumer. Refrigerator cars will now take strawberries, peaches and other fruits, and fresh meats, hundreds of miles in perfect condition; elevator charges for transporting grain are much reduced; modern invention has enabled steamships to travel faster at a

less expenditure of coal and reduction of other expenses, thus permitting reduced carrying charges. The enormous increase in carrying power of the vessels of the world has beaten down their charges also, and this has been brought about largely by the increased use of steamships in place of sailing vessels. In 1860 less than 7 % of the world's vessels were steam, in 1888 over 41 % were steamers. In 1870 the carrying power of these was 25,100,000 tons, and in 1888, 48,800,000 tons.

Science is teaching men in these days to be less wasteful. The garbage of the cities is carefully raked over by those searching for waste products that may be utilized. Although these are the smaller economies, they all figure in the final count. Tin cans, boots and rubbers are melted down or in some way utilized ; the former waste from gas factories now produces the beautiful dyes, which take the place of more costly materials. Competent men have recently said that 400 tons of guano and 145 tons of fish oil may be produced from 1,000 tons of the waste fish and offal from the salmon canneries on the Fraser River, representing a net profit of about \$8,150.

Two more examples of cheapened production may be mentioned. A new process has recently been discovered in France of bleaching cotton and linen by means of soluble glass and sodium silicate. It is claimed this new process does not injure the goods as did the old method, is much more expeditious and very cheap. It is told that at Chicago, hogs and cattle can be turned into pork and beef at a cost that would be covered by the value of the feet of the former and the tongues of the latter.

The general causes we have mentioned, it will be seen, have been the chief agents in the decline in the price of products. Specific or local causes have no doubt also contributed to the decline in price of some articles ; but the causes affecting the products discussed are those which have been most instrumental in making the great reduction in prices experienced during the last two decades. The theory of the decline in prices being caused by the reduction of the volume of currency as a result of the disuse of silver, has so few first-class authorities to support it, and fewer arguments, that further consideration of it is un-

necessary. Many more instances might be given illustrating reduced prices as a result of the causes above described, but sufficient have been advanced for the purpose in view.

The Dominion of Canada is not in any way an isolated country. Though her population and trade are small in comparison with those of the nation adjoining her southern boundary, and of the nation of which she forms a colony, her commercial and financial interests are closely interwoven with those of these two countries, and to a lesser extent with others. The railway locomotive and the fast ocean steamship bind together the nations possessing these adjuncts of modern life with a network of social and business intercourse that makes them feel almost as one every change in the supply, demand, price or method of production of the great staples of commerce.

There is no doubt that the trade of Canada has suffered considerably from the periods of stagnation in business and general hard times that have visited all lands in the past two years and at previous times, and that the prices of commodities here have been affected by the decline in values throughout the world during the past twenty-two years. These two, the depression in trade and decline in prices, are so frequently bound closely together, each leading on the other, that it is not always easy to view them apart. The same causes are relative to both. Depression of trade produces keen competition, small profits and economic production among manufacturers and traders, resulting in reduced prices; reduced prices of farm products means lessened purchasing, thus tending to stagnation of trade.

A comparative review of the business of the Dominion during the past years will largely show the effect of these conditions upon this country. That our strong position was recognized elsewhere (despite the many attacks made upon Canada by the editor of the *Investors' Review*) is shown by the way the Canadian 3% loan of £2,250,000 was taken up in London last autumn, the offers being from £95 to £99 12s. 6d., which was higher than for any previous Canadian loan, and since then these same bonds have been quoted at over par.

From the manner in which our leading houses, commercial and financial, have stood the strain of the hard times, it is evi-

dent that these are under the management of men of sound sense and integrity, and conducted under thoroughly conservative rules, thus being prepared to meet almost any emergency. The failures of banks during the past decade have been very few, and none have brought even partial disaster to others than their stockholders; and during the past six years the failure of but one chartered bank, a small one in the North-West, was recorded; at the same time nearly all our large commercial houses stood firm. This is in distinct contrast to the state of trade in the United States, where hundreds of banks, loan and other financial institutions had to suspend during the terrible panic which prevailed there in 1893; nor is it unfair to compare Canada with the United States in such matters, that being the only country adjoining ours, and between it and Canada are such close social and trade relations, despite the protective tariffs of both countries.

The following table consists of a list of seventeen articles in daily use, with the wholesale price of the same in Toronto on July 2nd, 1873 and 1894, and the percentage of increase or decrease during that time. The prices are obtained from the *Monetary Times* list of prices current:

	July, 1873		July, 1894		
Coffee—Java.....	\$0 21	@ \$0 24	\$0 27	@ \$0 35	Inc. 37%
Rice—Arracan.....	0 04½	0 04½	0 03½	0 03½	Dec. 18%
Sugar—Yellow.....	0 09	0 09½	0 03½	0 03½	" 63%
Tea—Y. Hyson.....	0 60	0 87	0 13	0 55	" 53%
Copper—Ingot.....	0 26	0 28	0 10½	0 10½	" 61%
Iron—Pig.....	46 00	48 00	18 00	21 00	" 58%
Calfskins—Cured....	0 20	0 30	0 06	0 07	" 74%
Harness Leather....	0 24	0 27	0 20	0 24	" 14%
Petroleum—Can....	0 27½	0 28	0 11½	0 12	" 57%
Spring Wheat.....	1 23	1 25	0 58	0 63	" 51%
Flour.....	4 75	7 25	2 50	3 75	" 48%
Butter.....	0 14	0 16	0 13	0 15	" 7%
Cheese.....	0 12	0 12½	0 09½	0 10	" 20%
Lard.....	0 10½	0 11	0 08	0 09	" 18%
Hams.....	0 12½	0 13	0 10½	0 11	" 15%
Wool.....	0 45	0 50	0 16	0 20	" 62%
Oats.....	0 38	0 40	0 39	0 40	" ....

It will be observed that of all these articles but one showed an increased price. These percentages of differences in prices do not agree exactly with the list previously given of

prices in London, local influences doubtless causing the variations. The articles above enumerated, however, show an average decline in price of about 34%. The President of the Toronto Board of Trade, in his last annual report, gave the reduction as about 33½%; Sauerbeck's index numbers for the same period show the decline to be 43%, and those of the *Economist* 29%, the average of these two latter being 36%. Some of the articles enumerated of our own production have shown a decided increase in price quite recently.

Some of the immediate effects of the present low prices on the condition of the people might be examined with profit. Except during a time of depression like the present, the rate of wages paid has not decreased but increased, and this being so, a larger purchasing power must be in the hands of the people, the wage earners, and this involves a higher standard of comfort. All of our native working people have a fair education, and can appreciate the many additional comforts and adornments now attainable through reduced prices, and one who can compare the homes of men of all classes to-day with what these were twenty or twenty-five years ago, will find a striking improvement. Everything within them will show an improvement in comfort, beauty or convenience, and in addition a much larger proportion of the men of Canada are now carrying life insurance than were doing so at the earlier date. In the case of the farmer the conditions are also improved, but possibly not exactly in the same way or to the same extent. The farmer is more isolated, and cannot therefore have many of the benefits which the city man enjoys, and as the price obtainable for his produce has been declining in some items very seriously, the reduction in the price of the goods he purchases has not given to him so large a net benefit as to others. Still, it is said "a bushel of wheat will purchase now as much as or more than at any former time," and most of our farmers are living in much more comfort than did their fathers, even if less cash passes through their hands. Owing to the use of new and improved machinery, they do not work so hard or so long as formerly, their children receive a better education, and their homes will be found to contain many comforts and luxuries not found there

twenty years ago, and if men of all classes are accumulating less money, it is not because less is earned, but because more is spent.

The year 1883 has been called the "banner year" of Canadian trade, for during that year the total of our foreign trade aggregated \$230,339,826, an increase of about 5½% over 1873, the latter being the year of high prices and inflation, and during which and the two years succeeding it our imports were without doubt very much in excess of demand. The total figures of 1883 have been exceeded during the last three fiscal years, the year 1893 now taking precedence with a total foreign trade of \$247,638,620, an increase over 1883 of 7½%, and this in the face of a decline in value of products of 10 to 20% during that decade. Our exports for the years 1890-4 exceeded those of 1875-9 by nearly 41%, and imports on the same comparison increased 21%. In contrast to this stand the figures of the United States and Great Britain, the former showing a decrease from 1891, their highest year, of about 17%, and the latter a decrease from the highest in 1890 of about 8½%. A statement in a recent number of *Bradstreets* showed that the aggregate foreign trade of New South Wales had declined from £51,377,417 in 1891 (apparently their best year) to £36,379,314 in 1894, a decline equal to 29%. During the years 1882-3 a marked revival of trade was evident and a considerable measure of prosperity was experienced, but during the depression following that period our exports and imports fell away very fast, until in 1886 they stood at \$189,675,875. From that time onward the advance has been steady until the year 1894, when the advance was checked, the figures for that year, however, being about equal to those of 1892. The first eight months of the fiscal year 1895 continue to show a decline. Compared with the same period of the previous year a decline of 7½% is observable in the aggregate foreign trade, the larger part of the reduction being in the imports. The amount of goods entered for consumption in the fiscal year 1894 was nearly \$9,000,000 below 1893, the latter year being the highest since 1883. One cause of the decrease was the cautious buying of our traders in view of the general depression, but this will in the long run prove most beneficial.

In one department of the country's business, the railways, the effect of the decline in prices and stagnation of trade during the past couple of years has been most marked. Both of our two great lines, the Grand Trunk and Canadian Pacific Railway Companies have shown very heavy losses in gross receipts. Certainly one of the main sources of loss to these companies has been through their controlled lines in the United States. The Chicago and Grand Trunk experienced an exceedingly heavy loss of revenue on account of the commercial collapse in that country; and the Canadian Pacific had to lend \$1,853,000 to two of its controlled lines in the Western States to enable them to pay interest and other charges. The low price of farm produce has reduced the farmers' ability to purchase, and thus trains of cars that brought wheat and other produce from the North-West have had to be returned empty, and so causing outlay with no profit. The Canadian Pacific created quite a sensation lately by announcing that the customary dividend of  $2\frac{1}{2}\%$  could not be paid this half-year. This is the first omission of dividend by this road. The Grand Trunk is, however, a chronic non-dividend paying road, last year the earnings being not nearly sufficient to pay interest on the 4% guaranteed stock. Both of these companies have to meet keen competition from the United States roads, consequently the rates for freight are sometimes very low, thus seriously encroaching on the profits. The holiday travelling was also seriously curtailed owing to the general derangement of trade in the United States. When the present period of depression is past, the Canadian Pacific Railway will probably be enabled to resume its place as a regular dividend-paying road, although possibly at a lower rate of dividend; it is doubtful if the Grand Trunk ever will until very drastic means are adopted to remodel its finances. In the United States railway matters have been much worse, several of its large roads being in a state approaching bankruptcy, while the assignments of railroads during the past two years have aggregated \$80,000,000 of capital, and there has been default of interest on \$976,000,000 of bonds.

Referring now to the failures occurring during the past few years, we cannot make comparison with any other country than



the United States. According to *Bradstreets* statements it would appear that in Canada nearly twice as many failures occurred in proportion to the number in business as in the Republic during the past seven years, the proportions in the United States running from lowest 1% in 1892 to 1½% in 1893, and 1.22% in 1894. The lowest in Canada was 2.20% in 1890, and highest 2.44 in 1891, in 1894 2.36%. The heavy proportion of failures in Canada is largely attributable to lack of capital, the failures from this source being given as no less than 68% of the whole, just double the proportion from this source in the United States. It would seem as though the low prices obtainable for products had made it difficult for the small manufacturer to obtain a living. The large factories with their larger output are better able to make headway on the small margin of profit obtainable. This is partially borne out by the fact that the output of the Canadian factories, with an annual product exceeding \$50,000, increased from 49.6% of the whole in 1881 to 54.8% of the whole in 1891. In the proportion of assets to liabilities of those failed (including only those failing whose estates showed a deficit always) Canada showed a somewhat smaller proportion than the United States. The proportion of failures in 1894 from each of the other causes mentioned in *Bradstreets* is smaller throughout in Canada than in the United States. The proportion of those in business to population in Canada is about equal to that of the United States, so that the oft repeated cause "too many in business" must be used with caution, for if it applies to us it applies equally to the United States, and if it is true there are too many in business, it is equally true there is more wheat, wool and mutton being raised, and more books, shoes, cottons, steel, &c., being manufactured than ready sale can be found for. There must, however, be altogether too many persons starting in business in Canada with but very slender means. One thing in this connection is noticeable; the largest number of failures in Canada during the term mentioned is but 11% higher than the lowest record, while in the United States the same comparison shows 50% increase. This would clearly indicate that Canada had not been affected seriously by the severe crises that overcame the United States, Australia and other countries.

The life insurance business does not appear to have suffered any from the business troubles of the last two decades. The insurance carried by Canadians in 1874 was \$85,716,325, which by 1894 had increased to \$308,795,881, an increase of 260%, or about 12½% per year. The increase of 1894 over 1893 was \$13,173,159, of which \$10,153,069 was in Canadian companies; 57.46% of the amount in force in 1894 was in Canadian companies, an increase over 1893. Besides the above, there was \$67,711,270 in force in benefit societies in 1894. Five of our Canadian companies hold at present \$146,000,000 of policies in foreign countries. Taking it altogether these are satisfactory figures, and indicate that the people of Canada recognize a life policy as a sound investment, and also that they are and have been disposed to take and able to pay for this necessary provision for those dependent upon them.

The banking business of a community is considered a fair index of its progress. The banking business of Canada shows undeniable improvement during the past twenty-two years, an improvement which represents prosperity and increase of business among the people, and of standing and wealth among the banks. As we compare one year with another the month selected is unimportant. The figures shown are those of 30th September of each year, and are taken from the monthly Government statement of banks. The note circulation in 1872 was \$26,174,000; in 1877, a time of great depression in trade, this had decreased to \$21,923,000, but since that time the gain has been steady, until in the year 1893 it amounted to \$35,128,000. 1894 shows a decrease of about 5% from these latter figures, and a small further decline up to date has been experienced. The gain from 1872 to 1894 has been about 27%. The increase during the same period in the circulation of Dominion Government notes has been over 100 per cent., or a net increase in these two classes of notes which constitute nearly all the circulating money of the country, of about 50%. Even making allowance for the amount of Dominion notes held by the banks, the increase in circulation has more than kept pace with the growth of the population of the Dominion. (The population has increased 31.10% from 1871 to 1891.) That the rate of increase

has not been very much higher is due to the changed custom of the people, who do not hoard notes as formerly, but deposit them in the banks, the notes thus rapidly finding their way back to the issuing bank. Payments by means of cheques are now replacing cash payments so largely that this also materially reduces the handling of all kinds of money. The bank deposits during this period have increased about three-fold, and the discounts have about doubled. The banking capital has increased from \$43,248,000 in March, 1872, to \$61,687,571 in 1895, and the total Reserve funds from, say \$17,000,000 in 1883, till at the present time they amount to over \$27,500,000, equal to 44.65% of the paid-up capital. The banking business of Canada is surely in a highly satisfactory state of security.

One item of our manufactures that has shown remarkable vitality and progress despite a decline in price of 10% in the past ten years, is cheese. In 1872 we exported 16,424,025 pounds of cheese of our own manufacture, in 1882 50,807,049 pounds, and in 1893 133,946,365 pounds, of a value of \$13,407,470. This progress is almost entirely due to the uniform good quality of the Canadian-made article. From 1881 to 1894 the United States exports of cheese declined from 147,995,614 pounds to 55,834,000 pounds, this being clearly the result of exporting an inferior class of goods. The United States filled and adulterated cheese has been and is injuring their foreign trade to a large extent. Canada's butter manufacture and export shows signs of regaining part or the whole of its old place in the foreign markets, having increased about three-fold since 1889, but is still far below the aggregate of twenty years ago. Our people appear to be awaking to the fact that nothing but first-class butter will do for export; and with the aid recently given by the Dominion Government there should be nothing to prevent further large increases in our export of this important item of our dairy products.

The tonnage of vessels entered inwards and outwards at Canadian ports shows a heavy increase. The figures for 1873, exclusive of the coasting trade, are 11,748,997 tons, which had grown to 18,539,534 tons in 1893, an increase equal to 58%, and the total coasting trade from 10,300,939 tons in 1876 to 24,579,123 tons in 1893, an increase of 138%.

The fisheries of Canada have steadily increased in value, the total value of the 1893 catch for the Dominion being of the value of \$20,686,661, an increase over 1873 of 92%, while the capital invested in the business has increased in the past fifteen years 116%. The steady nature of the increase is shown by the fact that the largest increase in the past twenty-one years was from 1892 to 1893, \$1,745,000, and this was almost entirely owing to the enormous catch of salmon in British Columbia in the latter year. Owing to the constant care and supervision of the Government these fisheries are not likely to become exhausted for very many years, if ever.

The lumber business of a country is not one in which either large or rapid increase is desirable, as this would cause the speedy destruction of the forests. Judging from the export figures, Canada's lumber trade has been very steady. During the past five years little variation is shown; but an increase in exports of 35% is recorded from 1876 to 1893, the figures for the latter year being \$27,512,000, representing more than 23% of our total exports. Very much money was lost in this trade in the depression which followed the year 1882, on account of the overproduction, unsaleability and consequently low prices of that period. As a rule, however, it is a lucrative business, the year 1894 having been from fairly to highly satisfactory.

The Canadian cattle export business is one of growing importance. The exports of horned cattle in 1876 were valued at \$645,449, and for 1893, \$7,745,103. Previous to two years ago Canadian cattle went freely into Great Britain; since then the British authorities compel the slaughtering of all our cattle at the port of entry, asserting that a case of the dread pleuropneumonia had been discovered in one of our shipments. This embargo has stopped the shipment of "stockers," or lean cattle, which had been readily bought up and fattened for the market by Scotch and English graziers. This, it is generally thought, will ultimately prove of advantage rather than loss to Canada, as all the exported cattle will now be fattened here, thus bringing to Canadians the full profit of the trade. The low prices realized during the past two years have brought loss rather than

profit to our shippers, as the competition with other countries for the British market has been keen.

The export of our own agricultural products is not a creditable showing, the figures for 1876 and 1893 being \$21,139,665 and \$22,049,490 respectively. The insignificance of the increase is partly due to reduced prices, but is also largely to be attributed to the decreased export of barley to the United States since the McKinley tariff was enforced. The decrease in exports of barley and rye during this time was \$6,446,000. This trade will probably prove to be permanently lost, as the brewers in the Eastern States, for whose benefit the barley was obtained, are now apparently content to use the inferior barley grown in the Western States. This loss was fully made up by increased exports of wheat, oats, peas, hay, vegetables chiefly potatoes, and green fruit principally apples, in this department, and of animals, cheese, &c., in other departments. The decline in prices is very noticeable here as elsewhere, and most strikingly here of wheat. If the exports of our own wheat in 1893 were valued at 1873 prices, it would add seven or eight millions of dollars to the amount of gross exports of agricultural produce. The lack of increased farming population is however very evident. In this, a new country, the farming population should by all means be kept constantly increasing. During 1881-1891, however, the urban population had increased more than three times faster than the population of the whole Dominion.

A most discouraging feature of Canada is the slow increase of population. As before noted, the increase from 1871 to 1891 was 31.10%, or from 3,686,596 to 4,833,239. During the latter half of this period, 1881-90 inclusive, the total immigration was 1,616,781, or 470,000 more than the increase of population in twenty years. It is very evident that a large number of the young people have been leaving the Dominion, and it is well known that in all the large northern cities of the United States, Canadians are to be found in large numbers, drawn thither by the greater demand for labor and the higher wages paid. Even in this melancholy showing there are a few bright spots. On account of the recent commercial troubles in the United States, it is officially stated that about 8,700 families

have returned from that country to Quebec, and Father Paradis is now seeking financial aid for the purpose of bringing some 3,727 French Canadians to Nipissing District from the United States. The favorable report being circulated by the delegation of English tenant farmers, who at the invitation of the Dominion Government thoroughly inspected our country in 1893, should have a good effect in dispelling the prejudice against Canada which to a large extent exists in England, and in promoting an increased emigration. Certain it is, however, that on account of the low prices of wheat and other farm produce, we have not the same inducements to offer immigrants as in former years.

While we do not wish to be over-sanguine as to the present condition of Canada, and as to the effect of the recent economic changes upon her industries, we think business matters here are on the whole fairly satisfactory, and that the decline in prices has not brought to us either very serious or permanent injury. After such a severe business derangement as that of the past two years, experience has shown that a period of dullness and rearrangement is inevitable, and such a state is now upon us and other countries. Signs are not wanting, however, which seem to indicate that the present depression will not be so prolonged as those of the past two decades, *e.g.*, the unexpected increase in the price of several leading products, wheat, cotton, petroleum, meats, etc., during this spring, owing to an unexpected shortness of supplies. The continued advance in the value of our foreign trade (the decline of the past year cannot be regarded as permanent in the face of previous years) notwithstanding a decline in prices of about one-third, is a gratifying indication of our vitality, as is also the comparatively small effect produced by the McKinley tariff of the United States, a measure aimed to injure our trade, but having the effect of sending our products to other markets. Manufacturers and others are fairly facing the fact of lower prices, and preparing accordingly, by introducing modern machinery and economically working plant. Our farmers are holding their own and making some headway, our Government is watchful and helpful in finding new markets for our products, and in arranging treaties for encouraging trade with foreign countries, and with a splendid

banking system eminently suited to the needs of the country, better things may be looked for before long. With our enormous natural resources in forest and mine, in fisheries and soil, with a good and healthful climate (although the latter has been much maligned), and with shrewd and careful business men in charge of our large monetary institutions, the future would seem to hold out much that is bright for this Dominion.

May, 1895

R. J. GOULD

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NOTE RESPECTING THE PRIZE ESSAY IN COMPETITION II.—The pressure of matter for the present number has rendered it necessary to defer publication of the Essay in Competition II., until the next issue.—ED. COMM.

## REVIEWS

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The Editing Committee desire it to be understood that the "Reviews" appearing from time to time, even where not over a signature, are contributed, and are not in the nature of Editorial opinion.

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### *The Canadian Banking System, 1817-1890.* SOME CRITICAL OBSERVATIONS.

DR. BRECKENRIDGE'S book on the Canadian Banking System is the first attempt to give an adequate and systematic account of the legislative development of Canadian banking. On this account, and because, on the whole, it is the conscientious and painstaking work of a well-trained and capable economist, it is likely to be accepted as the chief reference book on the subject both within and without our country. It were a pity, therefore, if such errors as it may contain should pass unnoticed or uncorrected, particularly in those parts of the work dealing with periods about which information is least readily to be obtained, and with reference to which, therefore, errors are most likely to occur, and least apt to be detected.

Dr. Breckenridge lays no claim to a special acquaintance with the economic environment of the Canadian banks, and although he does attempt here and there to give a brief outline of the commercial atmosphere in which the banks operated, yet these are commonly the least satisfactory portions of his book.

At the same time, even the legislative development of our banking system, not to speak of the place and influence of the banks in the commercial development of the country, cannot be confidently interpreted without a pretty thorough acquaintance with both the economic and political history of the country. Inasmuch as so little has hitherto been done towards an adequate presentation of the economic and social development of Canada, the necessary acquaintance with its economic conditions is only to be acquired by considerable practical knowledge





of the country and years of patient research among the raw materials of history, such as could not be expected from one in Dr. Breckenridge's position. Indeed it is matter for surprise that he has been able to accomplish so much and with comparatively so few errors, considering his situation with reference to our country and the rather restricted range of his subject.

It is not my purpose to make a detailed criticism of Dr. Breckenridge's whole work, for which indeed my own information is not yet adequate as regards some parts of the field which he has covered. For the present I shall confine myself to pointing out some errors both of fact and judgment into which he has fallen in the earlier portion of his work, and especially with reference to the beginning of banking in Upper Canada. These errors seem to be due partly to lack of information, which even at the best is rather scanty for that period, partly to an apparently hasty reading of what was available, and partly to an uncritical acceptance of testimony which was not at all reliable. Dr. Breckenridge's statement regarding the establishment of the Bank of Upper Canada, in the third chapter of his work, while perhaps admissible in an ordinary sketch of Canadian banking, is by no means sufficiently accurate for a work of reference. It gives a misleading idea of the sequence of events connected with the origin of the bank, of its relation to the Government of the time, and of the use of Government funds in getting it started. To give an adequate idea of the situation, however, would be to restate the whole matter. This I may attempt in another connection and apart from all criticism. Here I must be content with entering a caveat for what it is worth. As to the statement that the moving cause of the origin of the Bank of Upper Canada differed little from the old banks of Amsterdam, Hamburg and Italian cities, the comparison is not very felicitous when we think of the economic condition of Canada at this time. There was no practical difficulty at this time in Canada on account of a varied and fluctuating circulating medium, and none at any time from which the Bank of Upper Canada afforded an escape. The pressing difficulty at this time, and the one to which all the bank petitions referred, was the scarcity of a circulating medium of any kind after the withdrawal of the Army Bills.

In his treatment of the so-called "Pretended" Bank of Upper Canada at Kingston, Dr. Breckenridge is much more seriously astray, and this is the more singular in that the very sources of information to which he refers, with one exception, should have prevented him from falling into most of these errors. This one exception is a pamphlet published in Kingston in 1840 under the title of "Statement of the Affairs of the Late Bank of Upper Canada at Kingston. Taken from Authentic Documents." The documents given in this pamphlet of sixteen pages simply refer to the confusion in which the government of the time, the famous Family Compact, had involved the affairs of the bank in its interference with their settlement, and throw little light on the nature of the bank itself. These are followed, however, by some four pages of reckless and sweeping charges, involving not only the three persons on whom, with more or less certainty, the responsibility for bringing the bank to suspension may be laid, but many others, including the directors, the arbitrators and the House of Assembly. Dr. Breckenridge seems to have accepted without question or critical comparison with the other information at hand, this random statement, and even goes beyond it in his own sweeping condemnation of the bank and all connected with it. As his statements involve the honor of several prominent Canadian families, as well as seriously misrepresent the nature of the first bank in Upper Canada, we may notice them more in detail.

Passing over the anachronism which connects the forfeiture of the charter of the Bank of Kingston with the origin of a bank which was organized two and a half years before, we observe that Dr. Breckenridge's account of the origin of the first Bank of Upper Canada reads as follows:—"Nevertheless some ten residents of Kingston clubbed together in 1819, formed an association in direct violation of the law, invited persons to subscribe to the stock, and opened an office in Kingston as President, Directors and Company of the Bank of Upper Canada." I have before me a printed copy of the articles of association of the Bank of Upper Canada, dated 14th July, 1818, and of the seven persons whose names are there given, as in charge of the stock subscription book, only two were appointed on the first board of directors. Nor did this board

of directors afterwards remain a close corporation, for one or two changes took place while the bank was in business. These articles of association are practically the same as those adopted the year before as the basis of the Bank of Montreal. The Kingston Bank, however, was formed only after the effort to secure an act of incorporation had apparently failed. The promoters of the private Bank of Upper Canada were prominent among those who sought to obtain the first charter for the Bank of Upper Canada in 1817; and most of the directors of this private bank, after it had started business, were charter members in the Act passed by the House of Assembly for establishing the Bank of Upper Canada in 1819. What happened to that Act when it reached the Legislative Council is another story. It was because the first charter for the Bank of Upper Canada was reserved for the Royal assent, which was not forthcoming, that these Kingston merchants and others adopted the plan already put in practice by the Bank of Montreal, and established in 1818 the Bank of Upper Canada as a private partnership.

Again, when Dr. Breckenridge confidently accuses the "ten residents of Kingston" of having "formed an association in direct violation of the law," he is evidently not aware that their association was neither more nor less illegal than those of the Lower Canadian banks which he treats with considerable respect. There was no law in either Upper or Lower Canada against the formation of such banks, and no one thought of considering them illegal until the Family Compact, desiring to secure the banking monopoly of the province for their bank at York, hit upon the plan (employed also in other cases and constituting one of the grievances against them) of unearthing some old English statute which could be made to cover the case. In this instance they selected an old statute of George II (14 George II, chapter 37) directed against certain bubble schemes in the American Colonies. By applying this to the case of the Kingston Bank of Upper Canada at the time of its suspension, they declared it an illegal association, and therefore incapable of managing its own affairs or of resuming business. Hence the Government took the institution in hand for the benefit of the creditors, with what results need not be

detailed here. This is the only ground for the charge of direct violation of the law, and if there had been anything in it, it is quite obvious that the Lower Canadian banks were in the same position ; yet no such accusation is brought against them.

As to the statement that the subscriptions of the directors were paid chiefly in stock notes, there is not the slightest evidence of this in the documents referred to by Dr. Breckenridge ; while in other documents relating to the bank, which I have had the opportunity of examining, it is found to have been expressly stipulated that the stock should be paid in specie or Bank of Montreal notes. Here again our author has relied entirely upon the extravagant assertions contained in the latter part of the pamphlet of 1840.

When it is further declared that the directors had neither "honor nor honesty," it is clear that the author's sympathies have become so completely inverted towards all connected with the management of the bank, that he is prepared to believe them capable of almost anything in the way of fraud, and does not seem to feel it necessary to look well to his authority for such sweeping and serious statements. Except as regards Bartlet, Whitney and Dalton, there is no authentic ground for such an assertion ; and even in the cases of the two latter, when all the facts are known, such language is too strong. Dr. Breckenridge's lack of acquaintance with the history of the country has made it easier for him to fall into such errors. The majority of the directorate of the bank were men who enjoyed, both then and afterwards, the confidence and respect of their fellow citizens, as shown by the positions which they occupied in the social, religious, political and commercial organizations of the town, the district and the province. Such men were Christopher A. Hagerman, at that time the representative of Kingston in the Legislative Assembly, and afterwards Chief Justice of the province ; John McLean, sheriff of the Midland District, an important office in those days ; John Cumming, afterwards member for Kingston ; Captain Murney ; John Ferguson, secretary of the board of militia pensions ; and Patrick Smyth, Neil McLeod, D. Washburn and A. Richmond, all highly respected merchants, of whose honor and honesty abundant evidence is at hand. The only criticisms of the general body of directors made in

any of the reports of the various commissions appointed to investigate the affairs of the bank, were that they had been too economical in not appointing a more efficient staff of officers, and that they had trusted too much to the cashier, who supplied them with false reports of the bank's position, while he renewed notes and loaned money without the knowledge of the directors.

As to the story of the "shaving shop" and its connection with the suspension of the president, there is no authority for either beyond the pamphleteer of 1840. I have at hand, in the *Upper Canada Herald* for 1822-3, a contemporary account, official and otherwise, of the various stages of the dispute which resulted in Whitney's suspension, which was merely a formal matter required by one of the articles of association pending an investigation of the charges to be made. These records show that there is no truth in the account given by Dr. Breckenridge.

The next statement, with reference to Whitney's securing the £8,000 of redeemed notes in Montreal and using them for his own purposes, is quite misleading, but contains enough truth to make it too difficult to separate the truth and error without going into more detail than is here admissible. Suffice it to say that however wrong-headed Whitney's purposes may have been, they were promptly declared to the directors and the money promised to be returned when the affairs of the bank should be investigated, which promise was duly fulfilled.

The assertion that "note-kiting or reciprocity in endorsement had been practiced freely by the directors," is another statement lacking foundation. The evidence is all to the contrary. The report of the commissioners exhibiting a detailed statement of the bank's affairs, and printed as an appendix to the Journals of the Assembly for 1825, gives the list of notes held by the bank with the names of the endorsers. There are ninety notes in all, of which only eleven are from directors, and of these only four endorsed by other directors, but not a single instance of reciprocal endorsement among the directors.

Such are some of the errors in the historic parts of the work. Although there is no other portion of the book in which so many serious mistakes occur in treating of one period, or one institution, yet there are quite a number of mistakes of more or

less important character, from misleading references in the foot notes and inaccurate quotations, up to more serious errors of fact or judgment in assigning causes or tracing effects, often indicating simply an imperfect acquaintance with the atmosphere of the subject. These defects necessarily render the book, especially in its historic portions, of rather uncertain value as a work of reference. This is all the more to be regretted as there is certainly nothing else on the subject which, even with these defects, is at all to be compared with it.

I am well aware that the only adequate criticism of a work of this kind is a more accurate treatment of the subject without an explicit criticism of anyone. Dr. Breckenridge's book has, in many respects, made a more accurate treatment much easier than it was before, though in other respects there is entailed on the successor much more minute research. My object in the present critical fragment is merely to guard against a tendency to accept Dr. Breckenridge's book without criticism as an accurate and final statement, and to suggest the need for further investigation both along the special vein which he has opened, as well as along other lines in the economic field, all of which are of necessity organically connected with each other.

ADAM SHORTT

QUEEN'S UNIVERSITY, KINGSTON

*The Operation of Bimetallism in France.* BY H. PARKER WILLIS, in *The Journal of Political Economy*.

In the monetary controversy for many years it has been the wont of bimetallists to cite the experience of France during the period 1803-1873, when her mints were open to the unlimited coinage of gold and silver at a fixed ratio, as demonstrating the possibility of maintaining by legislation a fixed price between gold and silver. Mr. Giffen has termed the argument the trump card of the bimetallist party, and in his *Case against Bimetallism* he has devoted a chapter to this particular branch of the subject, in which he has adduced figures to show that at one period in this epoch of so-called bimetallism in France, gold was at a premium, while at a later period there was a premium upon silver. Were Mr. Giffen's facts admitted, an argument based

on the experience of France would of course lose its entire force, but Mr. Giffen's accuracy on this point has been vigorously assailed, and bimetallists have not ceased to quote the example of the working of the monetary laws of France during this period.

In support of the views of Mr. Giffen we have now some valuable and very instructive statistics, which have been gathered by H. Parker Willis from official sources, and are published in *The Journal of Political Economy* for June. In Mr. Parker's article is presented a table setting out the imports and exports of gold and silver respectively in each year, from 1822 to 1875. The figures seem to establish beyond doubt that from 1822 to 1847 the value attributed to gold was greater than that set by the French law, as witness the fact that of the comparatively small volume of exports and imports of gold during this period, there was a net *export* of 61,000,000 fcs., while in the same period there was a net excess of *imports* of silver amounting to 2,051,000,000 fcs., each year without exception witnessing a net import. The figures become more striking still when the period from 1822-47 is contrasted with that from 1847-1870. Commencing with 1847, about the time of the first of the discoveries of gold in Australia and California, there set in a steady net *import* of gold, which continued during the 23 years, and amounted in all to 5,177,000,000 fcs., while down to 1865 there was a total net *export* of silver of 1,046,000,000 fcs., the export for the longer period to 1870, however, being reduced by the excess imports of the last five years to 556,000,000 fcs.

Mr. Willis furnishes further statistics showing that from 1795-1848 silver formed 77.1 per cent. of the coinage, and gold but 22.9 per cent., the corresponding figures for the last eighteen years of the period having been 89.1 and 10.9; while during the period 1848-1859 the percentages were: gold, 85.7; silver, 14.3.

There seems to be here conclusive evidence of the existence of a premium at one time upon gold and at another upon silver, in what is called the period of Bimetallism in France—as claimed by Mr. Giffen from quite different data; and this fact at least is established, that the action of France in keeping its

mints open to the unlimited coinage of both gold and silver at a fixed ratio of  $15\frac{1}{4}$  to 1, did not prevent the values of the two metals from fluctuating with changes in the relation between demand and supply.

*Defalcations by Bank Employees.—How they may be Averted.*

THE Guarantee Company of North America have issued to their patrons a very carefully prepared pamphlet on the above subject. It has been the company's experience in the many years since its establishment, that a very large proportion of the defalcations by bank employees has resulted from the employer's failure to observe one or more simple rules in respect to supervision and examination of accounts, and they now formulate a set of rules based on this experience, the adoption of which would be calculated to prevent or detect defalcations. The regulations proposed appear to be those generally adopted by banks in England and Canada, in which countries, we are interested to note, the company state the defalcations are exceedingly small as compared with the United States, where such rules are not, as a rule, enforced.

A perusal of the pamphlet could not but be profitable to bank managers in Canada as well as in the United States.

## CORRESPONDENCE

### THE BANK OF NEW BRUNSWICK

*To the Editing Committee :*

DEAR SIRS,—On page 461 of the JOURNAL for June, in Dr. Breckenridge's article on the "Canadian Banking System," there is a mis-statement with regard to this bank. We are mentioned as one of six banks which "provided for losses incurred in their loaning business by reduction of capital."



In 1886 this bank reduced its capital, not on account of losses, but voluntarily and as a matter of policy, and the whole amount of the reduction was paid to the shareholders in cash.

This action the management have never seen reason to regret.

It is, I believe, a unique incident in the history of banking in Canada.

Yours truly,

GEO. A. SCHOFIELD,

Manager

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### QUESTIONS ON POINTS OF PRACTICAL INTEREST

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THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

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The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee :

#### *Notices to Obligants on Discounted Paper*

QUESTION 13.—It has become a custom of the banks in this Province (British Columbia) to send out notices of maturity to acceptors of drafts and makers of notes. Does this custom extend to bankers in other provinces? It seems to me that it is more or less unwarranted and should be unanimously discontinued, as it would be to the advantage of all banks in economy of labor and expense to do so.

ANSWER.—We believe that this is almost a universal practice, and it seems to have much to recommend it from all points

of view. It no doubt involves considerable expense in the way of postage, &c., but as a stimulant to the payment of the bills and a protection against forgery, it seems to be generally looked upon as worth all that it costs.

### *Endorsements on Deposit Receipts*

QUESTION 14.—Do you, or do you not, think that the simple endorsement by a bank of any deposit receipts passing through its hands guarantees all previous endorsements? I think it does, but the point is often disputed.

ANSWER.—The endorsements on deposit receipts of the ordinary non-negotiable form are not endorsements in the sense of the Bills of Exchange Act, and do not necessarily involve the consequences which an endorsement on a bill of exchange carries with it. The practical effect of such an endorsement as described by our correspondent is no doubt very much the same. If a bank cashes its deposit receipt, which has come through the hands of another bank and is endorsed by the latter, it would have a right to demand a return of the money should it appear that the bank receiving it had, as against the owner of the receipt, no right to receive it. The depositing bank receives the money on the implied representation that it has a right to collect the amount.

Similar questions arise with respect to a cheque which has been paid by the bank on which it is drawn. Endorsements on cheques do not bring the parties under the contract of endorsement with the bank on which the cheque is drawn. The drawee is not a holder for value in due course when the cheque is paid, but a bank can recover the money from the party to whom it has been paid if, as a matter of fact, the party to whom it was paid had not a good title. His liability is not that of an endorser, but simply of a party who has received money under circumstances entailing upon him the liability to refund it. The case of *Ryan vs. Bank of Montreal* (12 Ont. Reports, p. 39, and 14 Appeal Reports, Ontario, p. 553) and the cases therein cited, contain much information respecting the principles involved.

### *Endorsements by Rubber Stamp*

QUESTION 15.—Now that stamped endorsements are becoming so much used by large business firms and others, would it not be as well to have some definite understanding regarding them? The question might arise as to whether they are legally valid discharges. There does not seem to be any provision made for them in the Bills of Exchange Act, and there is evidently some doubt regarding them, as they are frequently guaranteed by bankers when sending documents endorsed in

this fashion, forward for collection. They seem to have come into use as a means of doing away with the old and more laborious way of writing the endorsements. Some banks are in the habit of taking letters from their customers admitting liability for such endorsements; but how about the drawer (in the case of a cheque)? Is he to be satisfied by a stamped endorsement? Cannot he demand a written discharge? Of course cheques endorsed in this way always come to the payee bank through the medium of another bank, and are usually endorsed "for deposit only," but I have noticed cases, more especially in cheques coming from American institutions, where they have not had even that clause inserted.

ANSWER.—Stamped endorsements put on with the authority of the party are quite as binding as written endorsements; and although from the point of view of the difficulty of proving their genuineness, the practice has some objectionable features, it has become altogether too common and too useful to be now without. As far as the banks are concerned, what we have said in reply to Question No. 14 above, as to the liability of the bank to which items are paid, applies in this case also, and this affords protection for the bulk of such transactions. The bank with which the item is originally deposited by the party whose endorsement is put on by means of a stamp, would naturally protect itself by a written agreement with its customer, such as our correspondent refers to.

As to the rights of the drawer of the cheque to be satisfied with the endorsement, we do not think that he has any ground for complaint. At any rate in order to prove that the bank had no right to charge the cheque to his account, he would have to prove the invalidity of an endorsement

#### *Cheque Presented for Payment by a Debtor of a Bank*

QUESTION 16.—The payee of a cheque drawn to order endorses it and presents it for payment. Can the bank rightfully apply the funds upon an overdue note it holds of the payee? What if payee claims that funds for cheque are not his own? Would the drawer have any grounds for objecting or legal remedy against the bank for so treating his cheque?

ANSWER.—The Committee have thought it well to refer the above questions to the counsel for the Association, Mr. Z. A. Lash, Q.C., and the following answer has been framed under his advice as to the law affecting the matter:

The questions involve some nice considerations. There are two aspects in which the matter may be viewed: first, the strictly legal one; second, the ethical one. Upon the latter opinions of course may vary, and there is no rule for decision.

We therefore refrain from expressing any opinion upon this branch, leaving each bank to decide for itself whether, under the particular circumstances which may surround the case, it would as a matter of ethics be justified in retaining the proceeds of the cheque.

With reference to the legal aspect, there appear to be no reported decisions expressly governing the case. The answer to the question as to the payee's rights against the bank, may, we think, be worked out in principle upon these lines:

Assume that the payee is the beneficial owner of a cheque. He presents it for payment. The bank accepts it in the usual way. This acceptance brings the payee into privity with the bank, and enables him to bring an action against the bank in his own name upon the cheque. If, therefore, instead of retaining the cheque and crediting the payee with the proceeds, the bank should hand back the accepted cheque to the payee and then refuse to pay it, the payee might bring an action against the bank for the amount. If he did so, what would be the bank's position? Clearly it could set off against such action the amount of the overdue note. If, however, the bank retains the cheque and claims to apply the amount upon the overdue note, what would be the payee's remedy? We think he could proceed in three ways:

(1) To sue in trover for the conversion of the cheque, or, speaking less technically, he could sue the bank for damages because he had been deprived of his property, viz., the cheque. The amount of his damages in this case would be the value of the cheque, and would clearly be limited to the amount of the cheque. He could have no further claim.

(2) If the bank had appropriated funds to the payment of the cheque—for instance, if the teller had counted out the money and had told the payee that it was the money for the cheque—he could probably sue the bank to recover the amount as money held by the bank for his use.

(3) He might possibly treat the possession of the cheque by the bank as his possession, and sue upon the acceptance.

If he took the last course, then the bank would, as above stated, have the right to set off the amount of the overdue note. If he took the second course the bank would have the same right, the demands in each case being liquidated. But, if he took the first course, the right of the bank to plead set off, as such, would be extremely doubtful, because set off can only be pleaded where the demand to which it is pleaded is a liquidated demand or one capable of being ascertained by computation as distinguished from a demand where the amount must be ascertained by assessment or valuation.

But the bank's right would not in such a case be confined to pleading set off. Under the practice of the Courts in Ontario, where a defendant is allowed in his defence to set up by way of counterclaim any demands against the plaintiff, the bank could in its defence to the action counterclaim for the amount of the overdue note. It would, of course, get judgment upon this counterclaim, and, even if the payee got judgment against the bank for the amount of the cheque as damages for its conversion, the practical result would be that the two judgments would be set off one against the other, and the only question involved would be one of costs.

If the cheque, though payable to the order of the payee, really belonged to some other person, it is, we think, clear that the bank would not have the rights above explained. It could not pay its own claim against the payee out of funds belonging to another.

Our space for this number of the JOURNAL will not allow us to deal with the other question, viz., whether the drawer would have any grounds for objecting, or legal remedy against the bank for so treating his cheque. We will allude to this branch of the question in our next issue, and explain also the rights of the payee against the drawer.

## LEGAL DECISIONS AFFECTING BANKERS\*

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### NOTES

*"One-Man" Companies.*—The case of *Broderip v. Salomon*, known as the "one-man company" case, has attracted much attention in England, where the formation of companies under the Joint-Stock Companies Act, to carry on business for the benefit of a single person who is the true owner of the business, is of common occurrence. Such companies are by no means unknown in Canada; but they have not here the power to issue debentures which form a first charge on the assets of the company, except by the usual process of a mortgage or trust deed patent to all the world. This power, which exists in England, is usually at the root of the troubles which overtake such companies, or rather their creditors, there.

In dealing with this case both the Court below and the Court of Appeal took very broad and general grounds for impeaching the claims of the chief shareholder to be a preferred creditor as regards the debentures he held. The learned Judges in each Court were clearly desirous that the essence of the transactions should be considered rather than the mere form, and the clearness with which they set out the true status of the parties leaves nothing to be desired. The trial Judge found that the company was in effect the agent of the one stockholder, and that

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\*[NOTE—We are under obligation to one of our subscribers for forwarding us copy of a communication sent to him in which attention is called to the reports of legal cases affecting bankers, decided in Canada, regularly published in an American journal. In view of the enquiry implied in affording us a perusal of this, and for the information of our subscribers generally, we think it well to state that the Editing Committee has access to the reports of all notable cases decided in England as well as Canada, and that the JOURNAL furnishes its readers with particulars of all cases which are considered of importance to bankers.]

We might add, as bearing on the value of the legal columns of the JOURNAL, that the Committee are careful to omit, or to refer to as of doubtful value, all judgments which in the opinion of counsel are not likely to be upheld.]

he should be responsible for the debts incurred for his benefit. Such a doctrine carried to the extreme might work great injustice, but in this case the conclusion to which it pointed was quite equitable. In the Court of Appeal the view was expressed that the relation of principal and agent was perhaps hardly applicable, and the company was likened to a trustee for its true owner, with the same results.

The case will repay perusal, and although our cases here are usually the converse of *Broderip v. Salomon*—that is, the company is sometimes formed to protect assets from the one shareholder's personal creditors, the principles involved may hereafter affect important decisions here.

This converse was dealt with in another case reported below, *Jeffreys v. Carey's Cycle Co'y*, where the assets were followed into the hands of the company, subject to the claims of the creditors of the company.

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*Claims for Interest on Debts Proved against the Liquidator of a Failed Bank.*—A decision of some interest was recently rendered in the Court of Queen's Bench, Manitoba, in connection with the liquidation of the Commercial Bank of Manitoba. The liquidator applied for the direction of the Court as to whether interest should be allowed on the claims of the several classes of creditors other than shareholders. The Court directed that unless there should be a surplus after payment of the principal of the debts, all interest should cease from the commencement of the winding up; but that if there should be funds available for the purpose interest should be allowed as follows:

(1) Depositors whose accounts before the winding up were subject to interest, would be entitled to interest at the agreed rates, and in determining the amounts of their claims any dividends paid should be applied first in payment of the interest accrued, and then on account of the principal in the ordinary way.

(2) Depositors whose accounts did not bear interest, and general creditors, could only claim interest where demand for the same in writing had been made on the liquidators, and then

they would be entitled to interest at 6% from the date of such demand.

(3) Holders of drafts and bills of exchange issued by the bank, drawn on its own branches or on other banks, would be entitled, under section 5, sub-section 2, of the Bills of Exchange Act, to treat them either as bills of exchange or promissory notes, and could claim interest at 6 per cent. from the time of presentment for payment to the drawees under sec. 57 of the Act. The fact that the holders knew that immediate presentment for payment would be useless would not entitle them to interest from the date of the winding up.

(4) Holders of cheques drawn upon the bank by customers, and certified by the bank and charged to the customers' accounts, would be entitled to interest on the same conditions as depositors whose accounts are not subject to interest, as set out in paragraph (2) above. The certifying of a cheque by an "acceptance" stamp does not constitute an acceptance by the bank within the meaning of sec. 17, sub-section 2, of the Bills of Exchange Act.

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*Dissolutions of Partnerships.*—The most important matter of a legal nature which has come to our hands this quarter is, we think, the paper read by Mr. Lash at the Quebec meeting. It deals in a very practical way with the various questions which arise with respect to the liability to a bank of deceased or retiring partners, and of guarantors for the indebtedness of a firm, in the event of a dissolution of partnership by death or otherwise. In consequence, however, of the length to which the report of the proceedings of the annual meeting has extended, it has been found necessary to defer publication of this article, as well as some other matter, until the next issue.

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#### COURT OF APPEAL, ENGLAND

#### Broderip vs. Salomon & Co. L'd\*

Where a business is turned into a "private" limited company, the vendor retaining the entire pecuniary interest in and control over it, the com-

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\*From the fuller report in THE TIMES LAW REPORTS.



pany is in the position of a trustee for him, and he impliedly indemnifies it against debts contracted in carrying on the business, and in the winding-up of such a company, when insolvent, debentures taken by the vendor to cover unpaid purchase-money will not be allowed to be set up in priority to the claims of unsecured creditors.

This was an appeal from a decision of Mr. Justice Vaughan Williams. Their Lordships substantially affirmed the decision of the Court below, but took a somewhat different view of the legal relationship between the founder of the company and his creatures. The appellant was Mr. Aron Salomon, who had sold his business to a company formed for the purpose. The respondents were the company and its liquidator. The material facts of this case as stated by Lord Justice Lindley, are as follows :—Mr. Aron Salomon carried on business as a leather merchant and hide factor and wholesale and export boot manufacturer and Government contractor in Whitechapel. Mr. Aron Salomon was desirous of forming a company to take over this business, and on July 20, 1892, an agreement was entered into with a trustee for the intended company. By this agreement the trustee agreed to buy the assets and goodwill of the business on the following basis : £7,500 for the goodwill, to be paid for in fully paid-up shares in the new company ; £6,000 for the fittings and fixtures, also to be paid for in paid-up shares ; £16,000 for the stock-in-trade, to be paid partly in shares and partly in cash and debentures ; £6,782 for the bills receivable and book debts, the figure at which they stood in the balance sheet, to be paid for in cash ; and £2,500 for the leases of the property on which the business was carried on, to be paid for in shares. The vendor further agreed to pay and discharge all the debts and liabilities of the business subsisting on June 1, 1892, from which time the purchase was to take effect. It was to be completed on August 4, 1892. In framing this agreement and in arriving at the sums to be paid by the company for Mr. Aron Salomon's business, no one acted on behalf of the proposed company. Mr. Aron Salomon's books were made up by an accountant employed by him ; no one else had anything to do with the matter ; and he, in fact, settled the figures and dictated the terms which are to be found in the agreement. The prices which the company was to pay were some £8,000 higher than the amounts appearing in the balance-sheet. On July 28, 1892,

the company was formed in order to carry out this agreement with such modifications, if any, as might be agreed to, and to acquire and carry on Mr. Aron Salomon's business. He was the promoter of the company. He and his wife and daughter and four sons signed the memorandum of association. The nominal capital of the company was £40,000 divided into 40,000 shares of £1 each. His wife and children held one share each. He signed the memorandum in respect of one share only; but he subsequently acquired 20,000 other shares. No one else ever had any share in the company. By the articles of association (article 50) each member was entitled to one vote for every share held by him. So that Mr. Aron Salomon could always outvote all the other shareholders and thus carry any resolution he chose at any general meetings of the shareholders. By article 57 the first directors were to be nominated by a majority of the subscribers to the memorandum of association. The directors had the usual general powers of management, with large powers of borrowing money and with an express power to issue debentures for any debts of the company. On August 2, 1892, the subscribers to the memorandum of association met and appointed Mr. Aron Salomon and his two sons—Emanuel Salomon and Salomon Salomon—to be the first directors. Mr. Aron Salomon was appointed managing director at a salary of £500 a year. The salaries of the two sons were £148 a year each. On the same day the three directors then appointed met. Mr. Aron Salomon was appointed chairman, and another of his sons, Mr. Asher Salomon, was appointed secretary; two directors were to form a quorum. The agreement for the acquisition by the company of Mr. Aron Salomon's business was adopted. It was further resolved that the stock-in-trade should be taken at the price of £16,000, and be paid for as to £6,000 in cash, and as to £10,000 in debentures, bearing interest at 5 per cent. and payable at the end of six years unless previously redeemed by the company. It was also resolved that a cheque for £6,782 19s. 7d. should be drawn in favor of Mr. Aron Salomon for the bills in hand and book debts, and that upon his executing a declaration of trust of the leases of his business premises, £2,500 cash should be paid to him. It was also resolved to issue seven shares to the seven

subscribers of the memorandum of association. On August 2, 1892, a formal agreement for the acquisition of the business was executed by Mr. Aron Salomon and the company. The arrangement which the company and Mr. Salomon undertook to carry out by this formal agreement of August 2, 1892, was based upon the preliminary agreement of July 20, 1892, and except in one respect the two agreements are alike. By the preliminary agreement of July 20, 1892, however, payment for most of the assets to be taken by the company was to be made in fully paid-up shares. This was modified by the formal agreement of August 2, 1892, into payment in cash and debentures. The effect was to avoid the necessity of registering any agreement for the issue of shares as fully paid-up as required by the Companies Act, 1875.

On September 5, 1892, debentures were sealed and ordered to be given to Mr. Aron Salomon, and on the same day 20,000 shares were allotted to him upon his application. The debentures here referred to appear to have been issued to him on January 26, 1893, but to have been cancelled on Feb. 3, 1893, and instead thereof debentures to the extent of £10,000 were sealed and issued to Mr. Edmund Broderip as a security for £5,000 lent by him to Aron Salomon, but which Aron Salomon himself lent to the company at ten per cent. interest. Mr. Broderip, not being able to get paid interest upon his debentures, gave notice requiring payment of the principal, and on October 11, 1893, he brought an action for the usual relief. This led to a winding-up petition, and on October 26, 1893, an order to wind up the company was made. Mr. Broderip was paid off by the company, and the £10,000 debentures issued to him were claimed by Mr. Aron Salomon to be a first charge in his favor to the extent of £5,000 and interest on the assets of the company. Were this claim established it would exhaust the assets of the company, and there would be little or nothing for the other creditors of the company. The unsecured debts of the company amounted to over £11,000, and there was an estimated deficiency of assets of over £8,000. The company, however, by its liquidator, impeached the validity of these debentures, and sought to set aside the agreement under which the company acquired Aron Salomon's business and to compel him to refund

to the company £29,257 which he had received in cash from the company under that agreement, or, in the alternative, the company, by its liquidator, sought to have it declared that Aron Salomon was bound to indemnify the company against its debts and liabilities upon the ground that the business carried on by the company was really his business carried on by him in its name. This latter view was adopted by Mr. Justice Vaughan Williams, against whose decision the present appeal was brought.

Lord Justice Lindley read his judgment, which, after reciting the facts, continued in the following language :

The case is one of great general importance. There can be no doubt that in this case an attempt has been made to use the machinery of the Companies Act, 1862, for a purpose for which it never was intended. The Legislature contemplated the encouragement of trade by enabling a comparatively small number of persons—viz., not less than seven—to carry on business with a limited joint-stock or capital, and without the risk of liability beyond the loss of such joint-stock or capital. But the Legislature never contemplated an extension of limited liability to sole traders or to a fewer number than seven. In truth, the Legislature clearly intended to prevent anything of the kind (see secs. 48 and 79). Although in the present case there were, and are, seven members, yet it is manifest that six of them are members simply in order to enable the seventh himself to carry on business with limited liability. The object of the whole arrangement is to do the very thing which the Legislature intended not to be done, and, ingenious as the scheme is, it cannot have the effect desired so long as the law remains unaltered. This was evidently the view taken by Mr. Justice Vaughan Williams. The incorporation of the company cannot be disputed. Whether by any proceeding in the nature of a *scire facias* the Court could set aside the certificate of incorporation, is a question which has never been considered, and on which I express no opinion; but, be that as it may, in such an action as this the validity of the certificate cannot be impeached. The company must, therefore, be regarded as a corporation, but as a corporation created for an illegitimate purpose. Moreover, there having always been seven members, although six of them hold only one £1 share each, Mr. Aron Salomon cannot be reached under section 48, to which I have already alluded. As the company must be recognized as a corporation, I feel a difficulty in saying that the company did not carry on business as a principal, and that the debts and

liabilities contracted in its name are not enforceable against it in its corporate capacity. But it does not follow that the order made by Mr. Justice Vaughan Williams is wrong. A person may carry on business as a principal and incur debts and liabilities as such and yet be entitled to be indemnified against those debts and liabilities by the person for whose benefit he carries on the business. The company in this case has been regarded by Mr. Justice Vaughan Williams as the agent of Aron Salomon. I should rather liken the company to a trustee for him—a trustee improperly brought into existence by him to enable him to do what the statute prohibits. It is manifest that the other members of the company have practically no interest in it, and their names have merely been used by Mr. Aron Salomon to enable him to form a company, and to use its name in order to screen himself from liability. In a strict legal sense the business may have to be regarded as the business of the company, but if any jury were asked, Whose business was it? they would say Aron Salomon's, and they would be right, if they meant that the beneficial interest in the business was his. I do not go so far as to say that the creditors of the company could sue him. In my opinion, they can only reach him through the company. Moreover, Mr. Aron Salomon's liability to indemnify the company in this case is, in my view, the legal consequence of the formation of the company in order to attain a result not permitted by law. The liability does not arise simply from the fact that he holds nearly all the shares in the company. A man may do that and yet be under no such liability as Mr. Aron Salomon has come under. His liability rests on the purpose for which he formed the company and on the way he formed it, and on the use which he made of it. There are many small companies which will be quite unaffected by this decision. But there may possibly be some which, like this, are mere devices to enable a man to carry on trade with limited liability, to incur debts in the name of a registered company, and to sweep off the company's assets by means of debentures which he has caused to be issued to himself in order to defeat the claims of those who have been incautious enough to trade with the company without perceiving the trap which he has laid for them. It is idle to say that persons dealing with companies are protected by section 43 of the Companies Act, 1862, which requires mortgages of limited companies to be registered and entitles creditors to inspect the register. It is only when a creditor begins to fear he may not be paid that he thinks of looking at the register; and until a person is a creditor he has no right of inspection. As a matter of fact, persons do not ask to see mortgage registers before they deal with limited companies, and this is perfectly well known to every one

acquainted with the actual working of the Companies Acts and the habits of business men. Mr. Aron Salomon and his advisers, who were evidently very shrewd people, were fully alive to this circumstance. If the Legislature thinks it right to extend the principle of limited liability to sole traders, it will no doubt do so, with such safeguards, if any, as it may think necessary. But until the law is changed such attempts as these ought to be defeated whenever they are brought to light. They do infinite mischief; they bring into disrepute one of the most useful statutes of modern times by perverting its legitimate use, and by making it an instrument for cheating honest creditors. Mr. Aron Salomon's scheme is a device to defraud creditors. Agreeing as I do in substance with Mr. Justice Vaughan Williams, I do not think it necessary to investigate the question whether the so-called sale of the business to the company ought to be set aside. The only object of setting it aside is to obtain assets wherewith to pay the creditors, and this object can be attained on sound legal principles by the order which he has made. In the event, however, of this case going further, I will add that I regard the so-called sale of the business to the company as a mere sham, and that in my opinion it might, if necessary, be set aside by the company in the interest of its creditors, although all the shareholders, such as they were, knew of and assented to the arrangement. They were simply assisting Mr. Aron Salomon to carry out his scheme. We have carefully considered the proper form of order to be made on this appeal, and the order of the Court will be as follows: This Court, being of opinion that the formation of the company, the agreement of August, 1892, and the issue of debentures to Aron Salomon pursuant to such agreement were a mere scheme to enable him to carry on business in the name of the company with limited liability, contrary to the true intent and meaning of the Companies Act, 1862, and, further, to enable him to obtain a preference over other creditors of the company by procuring a first charge on the assets of the company by means of such debentures, dismiss the appeal of Aron Salomon with costs; and, it being unnecessary to make any order on the liquidator's cross-notice of appeal, discharge the order directing the liquidator to pay costs of the counter-claim and give him those costs.

Lord Justice Lopes said:

"This is a case of very great importance, and I wish shortly to state my reasons for concurring in the judgment just delivered. I do not propose to restate the facts so fully and clearly detailed by Lord Justice Lindley. I shall content myself with shortly stating the impression they have produced on my mind. The incorporation of the company was perfect, the machinery by

which it was formed was in every respect perfect, every detail had been observed ; but, notwithstanding, the business was, in truth and in fact, the business of Aron Salomon ; he had the beneficial interest in it ; the company was a mere *nominis umbra*, under cover of which he carried on his business as before, securing himself against loss by a limited liability of £1 per share, all of which shares he practically possessed, and obtaining a priority over the unsecured creditors of the company by the debentures of which he had constituted himself the holder. It would be lamentable if a scheme like this could not be defeated. If we were to permit it to succeed, we should be authorizing a perversion of the Joint-Stock Companies Acts. We should be giving vitality to that which is a myth and a fiction. The transaction is a device to apply the machinery of the Joint-Stock Companies Act to a state of things never contemplated by that Act, an ingenious device to obtain the protection of that Act in a way, and for objects, not authorized by that Act, and in my judgment in a way inconsistent with and opposed to its policy and provisions. It never was intended that the company to be constituted should consist of one substantial person and six dummies, the nominees of that person, without any real interest in the company. The Act contemplated the incorporation of seven independent *bona fide* members, who had a mind and a will of their own, and were not the mere puppets of an individual who, adopting the machinery of the Act, carried on his old business in the same way as before, when he was a sole trader. To legalize such a transaction would be a scandal. But to what relief is the liquidator entitled ? In the circumstances of this case, it is, in my opinion, competent for the Court to set aside the sale as being a sale from Aron Salomon to himself—a sale which had none of the incidents of a sale, was a fiction and therefore invalid ; or to declare the company to be a trustee for Aron Salomon, whom Aron Salomon, the *cestui que trust*, was bound to indemnify ; or to declare the formation of the company, the agreement of August, 1892, and the issue of the debentures to Aron Salomon pursuant to such agreement to be merely devices to enable him to carry on business in the name of the company with limited liability, contrary to the true intent and meaning of the Companies Act, 1862, and, further, to enable him to obtain a preference over other creditors of the company by obtaining a first charge on the assets of the company by means of such debentures. I am inclined also to think that a *scire facias* would go to repeal the certificate of incorporation ; but I express no decided opinion on the point. The appeal will be dismissed with costs.

Lord Justice Kay also concurred.

## QUEEN'S BENCH DIVISION, ENGLAND

*In re* Edward Carey—*Ex parte* Jeffreys vs. Carey's Cycle Company, L'd\*

Where an insolvent converts his business into a "private" limited company, his assets may be followed in the hands of the company by his creditors, subject to the claims of the creditors of the company itself.

This was an application by Mr. Sydney Jeffreys, the trustee of Carey, to set aside a transfer by the bankrupt to the above company of his business and stock-in-trade, and it was the converse of the case of *Broderip vs. A. Salomon and Company*. Carey formerly carried on a cycle business in Blackfriars-road, as "Carey's Cycle Repository." In August, 1894, a limited company was formed under the name of "Carey's Cycle Company (Limited)," the first five subscribers to the memorandum being Carey, his three sisters, and his son. On August 16, 1894, Carey entered into an agreement with Charles May, on behalf of the company, for the sale of his business and stock-in-trade and effects to the company, in consideration of £1,500, to be paid in cash or bills, at the option of the company, and £1,500 in shares of the company and of Carey being appointed manager of the company for three years. None of the consideration was paid in money. On December 4, 1894, a receiving order was made against Carey, and he was subsequently adjudicated a bankrupt. On the same day as the receiving order the company passed a resolution to wind itself up, and a liquidator was appointed. On February 4, 1895, the liquidator sold the assets of the company to Messrs. Edwards and Flexman, both of whom were connected with the company, for £370.

Mr. Justice Vaughan Williams gave judgment for the trustees, and held that the assets of the company were part of the general assets of the bankrupt. There was no doubt a sale in point of form by Carey to the company, and the company was a legal corporation created in accordance with the Act of 1862. But, although this was so, still, in his Lordship's judgment, the business continued to be under the control and to be the business of the bankrupt. His Lordship found, as a fact, that Carey had adopted the course of forming a company to purchase his business because he was in financial embarrassment. And when a trader makes a transfer under such circumstances, retaining control of the business, it is not a true statement of the fact to

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\*From the fuller report in THE TIMES LAW REPORTS.



say that there is a sale, because there is wanting that antagonism of interest in the parties which is a necessary element. There is not really a buyer and a seller; the vendor is, in fact, the principal and the company is his agent. There was really only one person in the transaction—the bankrupt himself—and the company was only another form he had assumed. But while the sale must be treated as a nullity as between the trader and the company, third parties who were not privy to the transaction must not suffer. As regards the creditors of the company the sale must be treated as a reality. His Lordship saw no difficulty in treating the sale as invalid for one purpose and valid for another. This was done both at law and equity in certain cases, as where a bill of lading was pledged. The creditors of the company were not, as Mr. Reed had contended, to come upon the estate of the bankrupt *pari passu* with the other creditors. The bankrupt had allowed the company to trade as if it had an independent existence, and as regards its creditors he was estopped from denying that such was the case. The trustee took the estate subject to the same rights as the bankrupt himself, and was also estopped in the same way. As the company was merely the agent of the bankrupt, he was bound to indemnify it against the obligations it had incurred on his behalf; and the creditors of the company stood in the same position as the company. They were entitled to be paid first out of the assets of the company in preference to the other creditors of the bankrupt; but they might, at their option, prove as ordinary creditors upon the general estate.

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**Deutsche Bank (London Agency) vs. Beriro & Company\***

Where a bank, through an error, advises a customer of the payment of a bill which had been left by him with the bank for collection, it cannot afterwards recover the amount where the customer, relying on the advice, has paid over the money to another party.

The facts of this case are as follows: A foreign bill of exchange for £104 odd was negotiated to one Jacob Rafael Benatar, by him endorsed to Beriro & Co., his London agents, for collection, who in turn endorsed it to the Deutsche Bank, and sent it to them for collection. The bill was payable at Brussels in January, 1895. In sending it to their Belgian agents the Deutsche Bank asked for a special advice upon its payment. The Belgian agents sent a reply to the effect that they had credited the Deutsche Bank with the amount of the bill on 4th February, and

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\*From fuller report in THE TIMES LAW REPORTS.

on that date the latter advised Messrs. Beriro, in reply to their direct enquiry, that the bill had been paid, and sent them a cheque for the amount less commission. The latter thereupon intimated the same to Benatar, and credited the amount to him. On 8th February the Belgian agents informed the Deutsche Bank that the bill had been dishonored, and the Deutsche Bank communicated this on the following day to Messrs. Beriro, and made claim for recovery of the amount as money paid under a mistake of fact.

Mr. Justice Mathew, in giving judgment, cited certain cases as authorities, showing that the money could not be recovered from the defendants when they had nothing to do with the mistake, in addition to which he held that the defendants were entitled to judgment on the ground of estoppel. If the bank recovered the money the defendants would be left to recover it back from Benatar, to whom it had been paid on the strength of the representations made by the bank, and the latter were now estopped from denying the truth of the representation.

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#### QUEEN'S BENCH DIVISION, MANITOBA

#### Confederation Life Association vs. Merchants Bank of Canada\*

Where a custodian of funds, acting upon an order of the owner of the same to pay them over to a third party for his credit in account, through an error makes an overpayment, he can recover from the party to whom the excess payment was made. [It would seem that this rule would not apply if the latter has, while in ignorance of the error and on the strength of the payment, prejudiced his position towards his customer. See *Deutsche Bank vs. Beriro* in the present number.]

The facts in the above were these: The Confederation Life Association agreed to lend Bell Bros., Brandon, a sum of money to be secured by mortgage on property in the town of Brandon, on which Bell Bros. were erecting a building. Bell Bros. signed an order on the Confederation Life Association directing them to pay over the mortgage moneys as they were advanced, to the Merchants Bank at Brandon. The amount of the loan was paid out by several cheques as the building progressed; but through an error of a clerk in failing to enter one of the cheques, for \$1,400, in the mortgage account, the

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\*From the fuller report in the MANITOBA REPORTS.

Association in making the final payment on the loan issued a cheque for an amount \$1,400 in excess of the balance of the mortgage, which was sent to the bank as usual. It appeared from the evidence that the bank's manager suspected at the time of the receipt of the final cheque, that the Confederation Life Association was making an overpayment, and it seems that the bank did not permit its position towards its customers, Bell Bros., to be altered in any way by reason of this overpayment.

The Court gave judgment for the plaintiffs on the ground that the bank was in no better position than Bell Bros., who had no claim for the money on the Confederation Life.

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SUPREME COURT, NOVA SCOTIA

People's Bank of Halifax v. Wharton et al.\*

The parties to a note which has been renewed may usually be sued where, for any reason not the fault of the holder, the renewal note cannot be recovered upon.

This was an action on a note for \$297, made 18th December, 1891, by John Wharton and William Butler to Alexander Nelson, and endorsed by him to the plaintiffs, given in renewal of a note dated 16th September, 1891, also declared upon, for \$397, made by Joseph Wharton, and endorsed by Alexander Nelson and William Butler. The defence was that the note of 18th December, 1891, was altered after signature by Wharton and Butler, by the interlineation of the words "jointly and severally," which was supposed to have been done by Alexander Nelson, who took it to the bank.

The Court held that because of the material alteration the plaintiffs could not recover on the renewal note, but that they could recover on the old note. The Court took the view that in negotiating for a renewal of the old note with the bank Alexander Nelson had acted as the agent of the other parties to it, and that the terms on which the bank must be understood to have consented to it were that the parties were to deliver to the bank for the purpose of such renewal a valid note to which they should be parties. Having failed to carry out this implied agreement, their liability on the old note continued to exist.

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\*From the fuller report in the NOVA SCOTIA REPORTS.

# UNREVISED TRADE RETURNS, CANADA

(ooo omitted)

## IMPORTS

<i>Year ending 30th June—</i>	1894	1895
Free .....	\$46,139	\$42,432
Dutiable.....	62,765	58,549
	<u>\$108,904</u>	<u>\$100,981</u>
Bullion and Coin.....	4,020	4,575
	<u>\$112,924</u>	<u>\$105,556</u>

## EXPORTS

<i>Year ending 30th June—</i>	1894	1895
Products of the mine .....	\$ 5,854	\$ 6,992
"    Fisheries.....	11,305	10,798
"    Forest .....	26,201	23,977
Animals and their produce.....	31,905	34,712
Agricultural produce .....	17,643	15,671
Manufactures .....	7,743	7,639
Miscellaneous .....	151	153
	<u>\$100,805</u>	<u>\$99,946</u>
Coin and bullion.....	1,839	4,276
	<u>\$102,644</u>	<u>\$104,222</u>

## SUMMARY (in dollars)

<i>For the year ending June—</i>	1894	1895
Total imports other than bullion and coin..	\$108,904,914	\$100,981,415
Total exports " " " ..	100,805,798	99,946,428
Excess of imports .....	8,099,116	1,034,987
Net imports of bullion and coin .....	2,181,054	299,184

## IMPORTS

<i>Month of July—</i>	1894	1895
Free .....	\$ 4,291	\$ 3,234
Dutiable.....	4,574	5,084
	<u>\$8,865</u>	<u>\$8,318</u>
Bullion and Coin.....	1,191	235
	<u>\$10,058</u>	<u>\$8,554</u>

## IMPORTS (Cont'd)

*Month of August—*

Free .....	\$ 4,404		\$ 6,067	
Dutiable.....	5,417		3,345	
	<u>9,821</u>		<u>9,412</u>	
Coin and Bullion.....	1,701	\$11,522	1,616	\$11,028
Total for two months.....		<u>\$21,580</u>		<u>\$19,582</u>

## EXPORTS

*Month of July—*

Products of the mine .....	\$ 429		\$ 762	
"    Fisheries.....	1,106		1,387	
"    Forest .....	3,491		3,915	
Animals and their produce.....	3,688		4,245	
Agricultural produce .....	810		430	
Manufactures .....	653		777	
Miscellaneous .....	15		0	
	<u>\$10,193</u>		<u>\$11,548</u>	
Coin and bullion.....	195	\$10,388	75	\$11,623

*Month of August—*

Products of the mine .....	\$ 607		\$ 595	
"    Fisheries .....	1,317		969	
"    Forest .....	2,927		3,647	
Animals and their produce.....	3,789		5,316	
Agricultural produce .....	725		512	
Manufactures .....	727		700	
Miscellaneous .....	18		24	
	<u>\$10,113</u>		<u>\$11,765</u>	
Coin and bullion .....	172	\$10,285	64	\$11,829
Total for two months.....		<u>\$20,673</u>		<u>\$23,452</u>

## SUMMARY (in dollars)

*For two months, July and August—*

	1894	1895
Total imports other than bullion and coin..	\$18,688,065	\$17,741,307
Total exports .....	20,307,112	23,314,201
Excess of exports .....	1,619,047	5,572,894
Net imports of bullion and coin.....	2,524,352	1,712,011

STATEMENT OF BANKS acting under Dominion Government charter for the months of June, July  
and August, 1895, and comparison with August 1894:

LIABILITIES

	30th June, 1895	31st July, 1895	31st Aug., 1895	31st Aug., 1894
Capital authorized .....				
Capital paid up .....	\$ 73,458,685	\$ 73,458,685	\$ 73,458,685	\$ 75,458,685
Reserve Fund .....	61,701,007	61,704,458	61,704,548	62,189,595
	<u>27,083,799</u>	<u>27,083,799</u>	<u>27,083,799</u>	<u>27,166,850</u>
Notes in circulation .....	\$ 30,106,578	\$ 29,738,115	\$ 30,737,622	\$ 30,270,366
Dominion and Provincial Government deposits .....	8,546,493	7,548,323	8,395,441	5,928,143
Public deposits on demand .....	66,582,630	68,175,704	67,386,516	66,389,701
Public deposits after notice .....	114,081,499	114,512,523	115,716,520	109,998,432
Bank loans or deposits from other banks secured .....	111,276	1,156,258	1,051,722	64,283
Bank loans or deposits from other banks unsecured .....	2,215,596	2,461,151	2,780,611	2,587,234
Due other banks in Canada in daily exchanges .....	129,381	185,036	144,655	184,251
Due other banks in foreign countries .....	196,388	186,338	206,473	96,806
Due other banks in Great Britain .....	4,605,104	4,261,095	4,027,049	5,163,386
Other liabilities .....	<u>368,639</u>	<u>375,508</u>	<u>294,362</u>	<u>259,792</u>
Total liabilities .....	\$ 226,943,664	\$ 228,600,132	\$ 230,741,064	\$ 220,942,480

## BANK STATEMENT WITH COMPARISON

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## ASSETS

Specie.....	\$ 7,471,967	\$ 7,578,217	\$ 7,375,298	\$ 7,968,955
Dominion notes.....	13,473,432	15,255,563	15,186,545	15,836,019
Deposits to secure note circulation ..	1,824,727	1,813,828	1,814,624	1,833,153
Notes and cheques of other banks .....	6,780,635	7,083,262	6,135,949	6,053,369
Loans to other banks secured.....	106,275	98,864	464,760	53,664
Deposits made with other banks .....	3,002,271	3,461,722	3,391,456	3,310,476
Due from other banks in foreign countries ..	21,391,104	22,968,798	26,565,856	19,904,605
Due from other banks in Great Britain .....	3,428,078	5,677,303	6,339,165	3,539,880
Dominion Government debentures or stock .....	2,647,191	2,720,014	2,687,044	3,133,480
Public municipal and railway securities .....	18,314,866	18,473,309	18,617,571	18,919,546
Call loans on bonds and stocks .....	16,763,622	15,889,213	16,766,317	15,282,727
Loans to Dominion and Provincial Governments .....	645,792	209,964	445,922	402,969
Current loans and discounts.....	205,497,046	200,697,210	197,526,285	199,908,340
Due from other banks in Canada in daily exchanges.....	170,512	162,831	173,182	185,299
Overdue debts .....	2,566,964	2,998,065	4,324,234	3,121,927
Real estate .....	1,128,558	1,110,382	1,134,046	934,671
Mortgages on real estate sold .....	590,325	591,456	621,721	618,759
Bank premises .....	5,399,349	5,550,439	5,636,046	5,444,965
Other assets .....	1,853,644	2,131,786	2,241,162	1,642,628
<b>Total assets .....</b>	<b>\$312,986,516</b>	<b>\$315,323,415</b>	<b>\$317,441,375</b>	<b>\$308,085,634</b>
Average amount of specie held during the month .....	\$ 7,677,886	\$ 7,448,550	\$ 7,499,086	\$ 7,832,980
Average Dominion notes held during the month .....	13,545,718	14,289,175	12,229,776	15,500,434
Loans to directors or their firms .....	8,396,491	8,159,067	7,687,676	7,973,633
Greatest amount of notes in circulation during month .....	30,622,195	31,483,859	31,781,850	31,088,196





# JOURNAL

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## CANADIAN BANKERS'

## ASSOCIATION

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*JANUARY—1896*

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### THE ECONOMIC CONDITION OF NEW- FOUNDLAND

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Up to a very recent date the economic condition of Newfoundland was justly regarded as peculiarly satisfactory. Its credit as a colony ranked very high. Its securities were everywhere looked upon with favor. Its business men were noted for the honorable fulfilment of their engagements, and failures among them were comparatively few. The business of the country itself was of that sober, substantial, non-speculative character which creates confidence. Occasionally the fisheries failed and even a series of unfavorable fisheries would occur; but these were always counterbalanced by a series of successful fisheries; so that though depressions were felt at intervals, as in all countries, the colony quickly rallied, and its general business continued thoroughly sound. Its elasticity in recovering from such periodic depressions became proverbial, and inspired confidence for the future. Whatever might happen, the fish wealth of its surrounding seas remained inexhaustible, so that ultimate recuperation was certain. Further, the market for its various fishery products, notwithstanding the keen competition of the

French and Norwegians, remained fairly good and did not vary to any serious extent, except in rare cases. The demand for fish never could fail; and while nearly all other articles of food decreased in value, the codfish—the grand staple of the country—showed a marked increase. For all these reasons the stability of business in Britain's oldest colony seemed assured. Panics or commercial crises, of a serious character, were unknown. Business was conducted on conservative lines. The safe "old paths" were strictly followed.

Then, as regards the public finances, their condition seemed no less satisfactory. The revenue was almost entirely derived from duties levied on imports. These duties were partly *ad valorem* and partly specific, but only to a slight extent differential, the tariff being designed for revenue purposes only, not for protection. There were no direct taxes of any kind. All expenses in working the general machinery of government were defrayed out of the revenue. In 1881, the revenue amounted to \$1,003,803, having more than doubled during the previous twenty years. There had been a steady advance in the revenue each year without any increase of taxation. In 1882 the *per capita* taxation was only \$4.94, with a population of 185,368.

The public debt showed that the financial position of the colony was exceptionally good. On the 31st of December, 1881, the consolidated and debenture debt of the colony was \$1,351,008. The amount *per capita*, with a population of 185,000, was thus a little over seven dollars. This was not all. This small public debt was more nominal than real. Of the whole amount, the Savings Bank, a Government institution, held \$593,304, and, by an Act of the Legislature, the whole profits of this Bank were constituted a sinking fund for the liquidation of the public debt. This fund was to be applied, in the first instance, towards the payment of all debentures of the colony held by the Savings Bank. It was calculated that the effect of this Act would be that in twenty-one years from 1879, the year in which it was passed, all the debentures held by the Bank would be paid off, leaving only a debt of \$757,704. Against this amount the colony had at that time to its credit \$741,814, being a portion of the Halifax Fishery Award of one million dollars. Thus nearly the whole of the public debt then existing was pro-

vided for; and it was truly affirmed that the country was virtually in the unique and enviable position of being free from debt.

This was the golden age of Newfoundland finance, but this condition of primitive innocence was not destined to last. For some time previous to 1881 it had become apparent that as population increased, the fisheries, from which the people almost entirely derived their means of subsistence, were no longer adequate to support them. The fisheries, it was found, did not expand with the increasing population. On the contrary they were stationary, and in not a few localities were declining. When unsuccessful fisheries occurred increasing numbers were sunk in dire distress, often in such absolute destitution that relief had to be administered out of the public funds. The grant for poor relief had to be increased year by year. It became evident that other sources of employment must be opened up, otherwise the people must emigrate or starve at home. The great natural resources of the country were undeveloped. The fertile lands and rich forests of the interior were inaccessible from the want of roads and railways. The coal fields and mineral deposits were almost untouched. If the country was to advance it became clear that railways must be built. Without this great factor of civilization no further progress was possible. With it great possibilities were likely to be achieved.

The Legislature decided on the introduction of the railway system, to which, however, there was a strong opposition among the mercantile portion of the community. It was, however, justly argued that the steady expansion of the public revenue gave ample assurance that in the construction of a railway the colony would not be exceeding its means and could well afford to pay the interest on the debt thus incurred. It was also pointed out that with such rich natural resources lying undeveloped, railway building must prove a profitable investment, and that without it all these must remain dormant; that the experience of the past amply justified the expectation of a further increase of revenue; and that such public works, while in progress, would give employment and distribute large sums in the shape of wages among the people, thus increasing their comforts and purchasing power and leading to larger importations, to the benefit of the revenue.

Thus the colony took a new departure; but the policy now entered on was fully justified by subsequent experience. In 1881 the first sod of the new railway was turned, and in 1884 it was opened as far as Harbour Grace, a distance of 83 miles. Subsequently a branch line to Placentia was built, 27 miles in length; and in 1893, a contract was entered into with Mr. R. G. Reid, the eminent contractor, for the construction of the great trans-insular line, 500 miles in length, having its terminus at Port-au-Basque, and opening up the whole interior of the island. It will be completed by the close of 1896.

This bold but judicious policy was productive of good results. Large numbers of the working classes obtained employment at good wages. The colony prospered. The revenue increased. In 1883 it rose to \$1,262,702, and in 1887 it reached \$1,272,660; and in 1890, \$1,454,536. Of course there was an increase of the public debt, which, however, was well represented by the miles of railway, the splendid dry dock in St. John's and the new Post Office—a most creditable building. No difficulty was experienced in meeting the interest on the public debt and all other liabilities. In 1884 the debt was \$2,149,153; and in 1887, \$3,005,040. In 1890 it reached \$4,138,627; in 1892, as the railway advanced, it was \$6,393,367; at the close of 1893, \$8,255,546; and at the close of 1894, \$9,116,534.

The revenue, however, during those years steadily increased. The four years, 1890-93 (inclusive), showed an average revenue of \$1,730,833. In two of those years, 1892 and 1893, the revenue obtained must be regarded as abnormal, as the great fire of July, 1892, caused an increase of importations to replace what had been destroyed, and to provide materials for rebuilding the part of the city which had been devastated by fire; but allowing for this temporary increase, the revenue still showed a satisfactory advance. The annual expenditure, however, kept pace with this increase of revenue and some years exceeded it, showing that the colony was living up to its means and some years beyond them. In 1893, for instance, the expenditure was \$2,110,012; the revenue, \$1,753,844. It is not necessary at present to inquire whether this over-expenditure was justifiable. The effect was the creation of a floating debt which in 1895 had reached formidable dimensions, and was like a mill-stone hang-

ing on the neck of the colony, and presenting an ever-increasing deficit. From whatever cause, there was an extravagant expenditure and a want of due economy in making income and expenditure balance each other. The deficit was not promptly and determinedly dealt with. Still, this had nothing to do with bringing about the financial crisis which overtook the country. No provision, however, was made for the rainy day, and when it came the embarrassment caused by the floating debt was more severely felt, and the credit of the colony abroad was injuriously affected. But the condition of the revenue indicated that the general business of the country was in a healthy state.

The first blow to the prosperity of the country was caused by the great fire of July 8th, 1892, by which more than half the city of St. John's was laid in ashes and an immense amount of property destroyed. Though the individual losses were in some cases very heavy, and a few were utterly ruined, yet the calamity was not an unmixed evil and was attended by many mitigating circumstances. Fortunately the amount of insurances was large, and the insurance companies honorably and promptly responded to all claims. Most generous contributions from all quarters poured in for the relief of the suffering masses. Soon the demand for labor in rebuilding the part of the city destroyed was so great that wages rose to an unprecedented figure. Employment was abundant and money plentiful. The laboring classes suffered no permanent injury—rather the contrary—and the trading classes had a season of activity and prosperity. Credit was unimpaired, so great was the confidence everywhere in the recuperative powers of the colony. The city rose from its ashes with wonderful rapidity, and the new part was an immense improvement on that which was destroyed. Never did the spirit and energy of the people come out in a clearer light; never did they exhibit greater courage in facing difficulties. The sun of prosperity began to shine once more, and by the end of two years the greater proportion of the houses and stores which had perished in the flames were rebuilt, most of them on an improved plan; and in two more years hardly a trace of the fire would have been visible.

But just when the people were rejoicing in their returning

prosperity, a calamity, tenfold greater than the fire, fell upon them with the suddenness of an earthquake's shock. The 10th of December, 1894, the Black Monday of Newfoundland, will long be remembered in the annals of the colony. On that day the only two banks in the country—the Commercial and Union, through which the entire business of the community was transacted—closed their doors. The utmost confidence in these two long-established institutions had been cherished throughout the community. No apprehensions had been felt regarding their stability. But little gold or silver had been in circulation, the notes of the two banks constituting almost the entire currency. The shock caused by the announcement of their failure created widespread dismay, and a panic of a painful character followed. The people suddenly found themselves without a currency. All business was suspended. The shops and stores were left without customers, the people having no money to buy. Factories and workshops had to dismiss their employees. There was no means of paying wages, and no customers for the products of industry. No one would accept the notes of the banks, of which an immense amount was in circulation.

At first it was hoped that the suspension would be but temporary, but that expectation was speedily dissipated. Soon the public learned with dismay that the condition of both banks was bad in the extreme and that they would be wound up—that the shares were entirely worthless, and that the Commercial would not be able to pay more than twenty cents in the dollar and the Union eighty, to note-holders and depositors. A gloomy pall overspread the whole community. Many hundreds found themselves reduced to poverty; some were utterly ruined. The shareholders were mostly persons of the middle class, and the loss of their shares was a terrible blow. Many of them were widows and orphans, who found that their all was gone. The misery thus caused was widespread and severe.

The failure of the banks was speedily followed by the collapse of seven of the large mercantile firms, and a number of the smaller trading establishments. This added greatly to the load of suffering and deepened the gloom. The failure of one firm aided in bringing down others. Happily, however, a few were able to stand the shock. The long winter had set in, and

employment could not be obtained. Grave apprehensions of absolute destitution among the working people were felt. The depression continued to deepen as one failure after another was announced. It soon became evident that an appeal for aid must be made to the people of other countries. The response was prompt and generous, as in former cases of disaster.

It was impossible that the public finances could escape in this financial hurricane. They felt its force quite as much as the commercial and industrial establishments. Quarter-day was at hand; and not only had the official salaries to be met, as well as the grants to the various public services, but the half-yearly interest on bonds and debentures was due on January 1st, both in London and St. John's. Should the latter not be met the colony would be proclaimed a defaulter and ruin would follow. To add to the general disquietude, a severe run on the Savings Bank, a Government institution, commenced and continued. Importations from abroad almost ceased, and the revenue began to fall off at an alarming rate. Without a currency, business paralyzed, the people impoverished, national bankruptcy imminent, the community disheartened and almost in despair, the condition of the old colony seemed desperate. The financial storm had left it on its beam ends, and grave doubts were entertained whether it would right itself. No more trying crisis for a Government than that which had now arrived could be imagined. Their responsibilities were of the gravest character.

The question presents itself, what was the cause of these financial disasters which filled the island with "mourning, lamentation and woe"? How came it that the business of a country which, until recently, appeared to be sound and healthy, suddenly collapsed, like a house of cards? No mere accident or sudden panic brought it about. The causes which produced it had been at work for years, and the "crash" was but the inevitable culmination of continued violations of economic laws whose penalties follow as inexorably as in the case of violations of the law of gravitation. Now that the whole matter has been probed and laid bare, it becomes clear that the business of the colony had for years been conducted on false and unsound principles; and that a dangerous and vicious system of banking had furnished the means for conducting an unsound business,

and for a time had bolstered it up. By far the heaviest portion of the guilt must be laid at the doors of the banks and those who directed their operations. The facilities they presented for obtaining credit to an enormous extent, in most cases without any security, led to unsafe speculations and an inflation of trade which must have ultimately ended in ruin. In fact it had come to this, that a great portion of the capital required for carrying on the business of the country was drawn from the banks, uncovered by any security, so that these institutions had all the risks of the trade, and yet had no control over its management. Instead of using the funds entrusted to their care in the legitimate business of banking, so as by safe investments to secure a profit to the shareholders, the directors advanced very large sums to themselves and others without any reasonable security for repayment. Without their knowledge or consent, the money of the shareholders and depositors was withdrawn from the proper and profitable business of banks and used in the private business of individuals. The annual reports at the same time appeared to indicate that the business of the banks was prosperous, and the usual dividends were paid. All the while, the capital of individuals engaged in the trade had disappeared, being swallowed up in losing speculations, and had been replaced by constantly increasing loans from the banks, which for the most part were uncovered by any reasonable securities. Once the downward path is entered on it is difficult to retrace the steps, and the pace is sure to be accelerated. Not only were many of the large mercantile houses accommodated in the way described, but undue credit was extended to the smaller firms, in which the risk was even greater. This led to over-trading, the funds being supplied by the unconscious and unfortunate shareholders and depositors; while noteholders had no security, the defective Banking Act of the colony leaving them unprotected, and providing for no proper inspection of the banks.

There could be but one end to such a vicious system, which must have been foreseen by those who were responsible for such a misuse of trust funds. The death of a commission merchant in England, through whom a large part of the exporting business of the colony was carried on, precipitated the inevitable "crash." The supply of specie in both banks was small; their



funds were locked up in unrealizable assets, the value of which, in case of a panic, would shrink to an alarming extent, and nothing remained but to close the doors and face the inevitable.

The condition of the banks, on investigation, was found to be deplorable. In the Union Bank, the overdrawn accounts of three of the directors amounted to \$1,194,375. In the Commercial Bank the overdrafts of the directors reached a still larger amount. There were no securities for the overdrafts. In each bank one director was found to have no overdrawn account, namely, Honorables Messrs. Harvey and Pitts; but of course all were responsible for the mode of conducting the business. As they are now called upon to answer for their conduct before the law courts, nothing further can be said. Both establishments had to go into liquidation.

It has been alleged that the condition of Newfoundland politics, the bitter animosities which characterized political contests, and the reckless extravagance in the expenditure of the public funds, of which both parties were equally guilty, had much to do with bringing about the financial crisis. Doubtless there is some truth in this statement. As far as the violence of party contests, and the exaggerated charges mutually preferred against each other by the contending parties tended to lower the character of the colony abroad and shake its credit, so far party conflicts were injurious to the best interests of the country. But, after all, these had little to do with bringing on the commercial crisis. As to the extravagant expenditure of the public funds, no doubt there were serious abuses connected with these, as in most countries having a democratic form of government. Public works were, perhaps, driven on somewhat too rapidly, and public improvements rushed at too fast a pace. But, as already stated, the advancing condition of the revenue amply justified railway construction for the development of the country's resources, which had become an absolute necessity; and till the "crash" came, no difficulty was experienced in paying the interest on the public debt. Even after the worst came, it was found that the total floating debt did not exceed two and a half millions of dollars. A loan to this amount was finally obtained at four per cent., and it was added to the consolidated debt.

It thus appears that local politics bore only a small share

in bringing about a financial crisis. The ruinous banking system must be mainly held responsible for the evil. Behind this, however, and lying at the root of the whole mischief, was the credit or "truck" system, which had been going on for generations. The merchants issued supplies to the fishermen at the commencement of each fishing season, taking the products of their labor in payment at the close. Apparently, for a time, all was serene, and in former days the merchants realized large profits. But the demoralizing effects of the truck system in due time affected the whole community. The bulk of the fishermen became hopelessly in debt; their honesty and industry were undermined. The system held out a premium to indolence. The cure of fish deteriorated. Only a part of the catch was handed over to the merchants; the rest was dishonestly disposed of. Then Nemesis overtook the supplying merchants. Badly cured fish brought ruinous losses in foreign markets. In the eagerness of competition with each other too high prices were given for fish. Their gains vanished. Their list of bad debts at home lengthened. Their business was carried on at a loss. Competition with French and Norwegians told heavily against them. Several large firms came to grief and others withdrew from the trade. In an evil hour the remainder had recourse to the banks for assistance. Over these they obtained control and used their funds liberally in their business by means of overdrafts, thus staving off the evil day, and hoping no doubt that some lucky chance would occur to set them on their feet. But violated laws are self-avenging. Retribution came at last and the storm burst over their devoted heads. If the result will be the abolition or sweeping curtailment of the demoralizing credit system, the "crash" will prove itself to be "a blessing in disguise." There can hardly be a doubt that such will be the effect.

It would be wrong to suppose that all the mercantile establishments were included in the foregoing account. There were happily a few whose business was conducted on sound economic principles and who were not dependent on the banks. They weathered the storm, and led the way to the establishment of business on a safer basis.

Turning now to the immediate effects of the collapse, the

first attempt made to grapple with the difficulty was by guaranteeing the notes of the defunct banks—the Union notes at 80 cents in the dollar and the Commercial at 20 cents. The Legislature passed an Act to this effect, but the relief thus afforded, though useful at the time, was but limited in its range. So great was the distrust that the guaranteed notes had but a small circulation. Few cared to take them.

The establishment of branches of three Canadian banks, of high standing, in St. John's, was attended with the best results and helped greatly in restoring confidence. These were the Bank of Montreal, the Bank of Nova Scotia, and the Merchants Bank of Halifax. A safe currency and means of exchange were thus provided, and the trade obtained legitimate assistance. Business began to revive and the people took courage. The Bank of Montreal extended a helping hand to the Government, and by a timely loan enabled it to meet all liabilities on the 1st of January and the 1st of April. A breathing time was thus secured. Money became more plentiful, and the shops began to resume their former appearance. The banks were placed in the hands of trustees, who proceeded to realize their assets. The bankrupt firms were also placed in liquidation. The destitute poor were provided for by the generous contributions from abroad. Factories and workshops began to resume operations, and employment became more plentiful.

Still more important was the success of the Seal Fishery of 1895, in improving the condition of affairs. It proved to be the best for many years, and the price of seal skins had considerably advanced. The clouds began to disperse and the wheels of commerce to revolve. The total value of the products of the seal fishery was not less than \$600,000. Such a sum distributed among mercantile men and fishermen at a time of deep depression, could not fail to have a reviving effect.

The floating debt, however, still remained as an incubus, and the condition of the revenue created anxiety regarding the ability of the colony to meet its liabilities when quarter-day came round on the 1st of July, 1895. Great fears were felt and expressed that on that day the colony would be no longer solvent. This apprehension had a very depressing effect at home and exercised an injurious influence on credit abroad. The negotiations for a

union with Canada proved abortive, so that the outlook was dismal enough. Many were crying out for a Crown colony; more for a Royal Commission to examine into the whole condition of the colony, notwithstanding the improvement in trade which had taken place. To obtain a loan under such circumstances was generally regarded as hopeless. The credit of the colony was supposed to be irreparably damaged. If, however, a loan sufficient to wipe out the floating debt could be obtained, then retrenchment became possible, and all might go well.

The Hon. Robert Bond, Colonial Secretary, did not despair of the colony, and resolved to make an attempt to negotiate a loan. His efforts were crowned with success. He obtained in the London money market, on behalf of the colony, a loan of two millions and a half of dollars at four per cent., to be repaid in forty years. He also obtained a million of dollars\* for the Savings Bank at  $3\frac{1}{4}$  per cent., so that this institution was rendered absolutely safe in any emergency. This loan was an immense boon to the colony. Not only was the floating debt paid off, but the credit of the colony was greatly strengthened. It furnished a proof that the kings of finance had formed a favorable opinion of the resources of the colony and did not despair of its future. So soon as the success of the loan was announced, the Government formulated a retrenchment policy, which was adopted by the Legislature. Its object was to make income and expenditure balance each other and to secure a surplus at the end of the financial year. A reduction of expenditure was made, and at the same time a moderate increase of taxation. The method of retrenchment will be described further on.

## II

Will the country recover from the heavy blow which it has sustained? Will it, in the future, be able to meet its obligations and regain its prosperity? Will it have strength to continue

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\*The exact sum raised by the Hon. R. Bond in London for the Savings Bank, at  $3\frac{1}{2}$  per cent., was \$850,000; the balance of \$150,000 was obtained at an earlier date and at a higher rate of interest.

a self-governing colony, and preserve its independence? To answer these questions satisfactorily it becomes necessary to review briefly the natural resources of the colony, to estimate the degree to which the earning power of the people has been affected by the late collapse, and what will be the probable effect of the changes in the banking system, in the fishing industries and general finance, now rendered necessary by the overthrow of the old unsound system.

In forming an estimate of the future of the colony, its natural resources must be regarded as one of the main factors. Until rather recently, the fisheries were reckoned as almost the sole dependence of the people. Now, however, their views have expanded, and farming, lumbering and mining have entered into their calculations and give promise of great development.

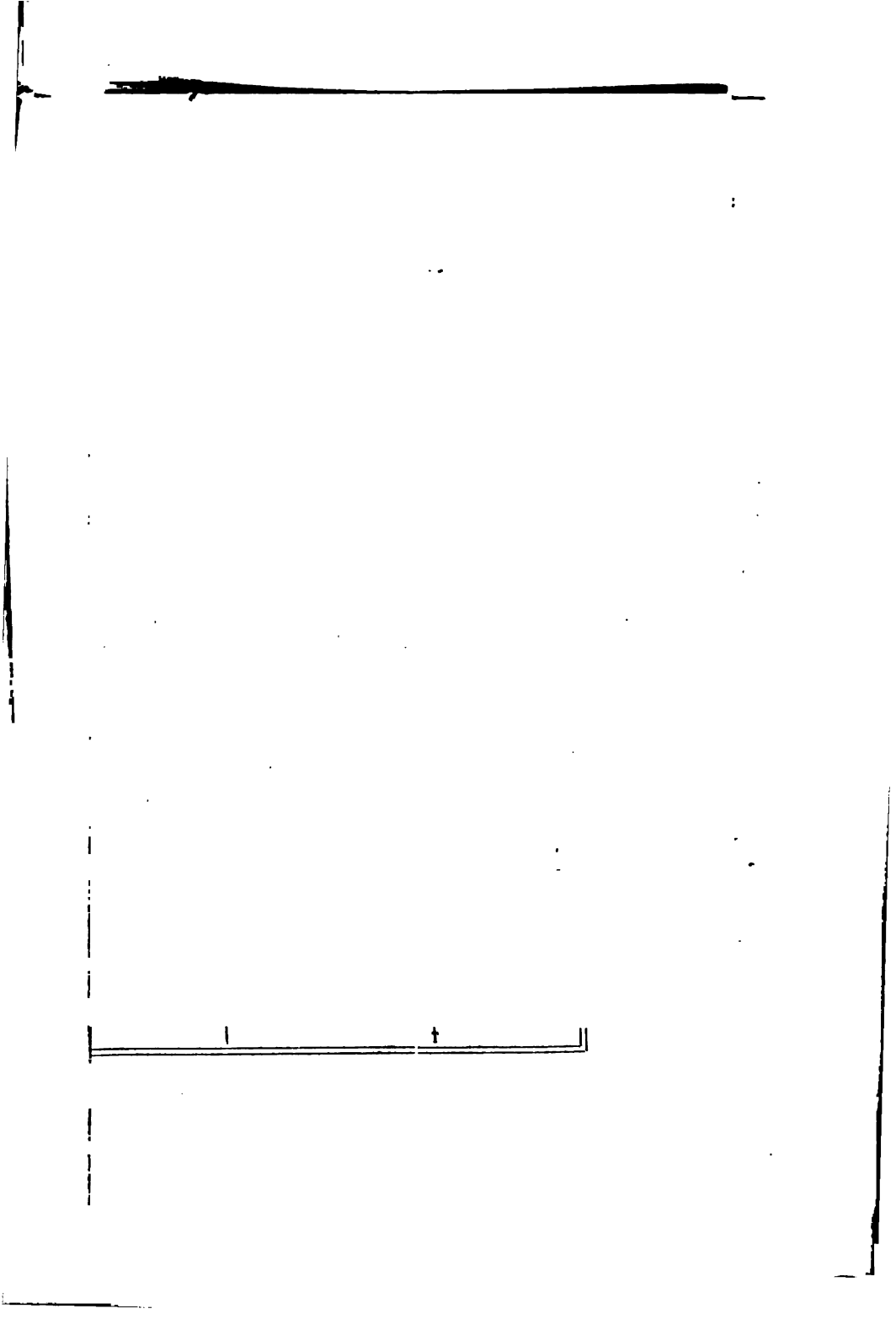
Formerly, the idea of Newfoundland ever becoming an agricultural country was scouted. It was believed to be a dismal, fog-enveloped region whose savage climate and barren soil precluded all attempts at agriculture. The geological survey of the island has largely dissipated these notions. No doubt there are wide tracts irreclaimably barren, just as in Canada and the United States. But a careful examination has shown extensive belts of agricultural lands, mainly along the valleys through which the principal rivers run, around the heads of the great bays or by the margins of the smaller streams. In the aggregate, these fertile belts comprise no inconsiderable proportion of the whole area of the island, while large sections of the remainder could be utilized for grazing purposes. If we take the whole area of the island at 42,000 square miles, and deduct from this one-third for lakes and ponds, we have 28,000 square miles, of which fully a fourth, or 7,000 square miles, or 4,448,000 acres, are available for settlement, either as arable land or for stock raising, and are capable of sustaining a very large number of people in comfort. This is no mere random assertion, but rests upon the reports of the Geological Survey, of Government surveyors, who have been for years engaged in mapping the Crown lands, and on the accounts given by residents, by intelligent travellers and others who have visited various sections of the island.

The limits of this paper do not permit an enumeration of

details. But it may be stated that the western portion of the island, in an agricultural point of view, is by far the most important, having in addition to a large extent of fertile soil, valuable forests, coal fields, marble, gypsum, limestone beds and mineral deposits. It is the carboniferous section of the country, the rocks of this formation always underlying good soil. The climate, too, is by many degrees superior to that of the eastern or southern shores, being entirely out of the range of fogs, while the cold, easterly winds, blowing over the Atlantic, are modified before reaching the western coast. The new railway, now under construction, runs through this region. In the near future it will be the seat of a large agricultural industry. To this will be added cattle and sheep raising, mining of coal, copper and asbestos. Beginning at Port-au-Basque, this region comprises the Codroy Valleys, St. George's Bay, Bay of Islands, Bonne Bay and the Humber Valley.

The great Valley of the Exploits is another fine region. The River Exploits has a course of 200 miles and drains an area of 4,000 square miles. The Geological Surveyors estimated that the Lower Exploits Valley alone contains 179,200 acres of reclaimable country. It contains besides large forests of pine and other valuable timber in which lumbering is now carried on upon a large scale. The valleys of the Gander and Gambo are of less extent, but contain good lands and are rich in forest wealth.

The almost exclusive employment of the people in fishing has hitherto led to the neglect of agriculture; but it is marvellous to find how great are the results of the limited industry as yet devoted to farming. The census of 1891 showed that there were 179,215 acres of land occupied. Of this 64,494 acres were cultivated lands, 20,524 acres were in pasture, 21,813 acres in garden, and 6,244 acres of improved lands unused. At the low estimate of \$50 per acre, the land under culture is worth \$3,224,700. The Return of the animals—horses, horned cattle, sheep, etc.—shows their value to be approximately \$1,189,413. The value of the crops in 1891 was \$1,562,398. The annual income derived from cattle, etc., is estimated at \$520,000. Other items which may be added give a total of \$2,295,398 as the value of the agricultural products of the island in 1891.



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When the small area under culture is taken into account this shows the agricultural capabilities of the island in a favorable light, and proves how unfounded were the old notions regarding the barrenness of its soil. At present the annual import of animals and agricultural products (exclusive of flour) is valued at nearly a million dollars. Now that a railway has opened up the fertile lands, there is no reason why nearly the whole of this importation might not be raised in the country and a million dollars retained in the country to give employment to the people. Then the proximity of the island to the Old World gives great facilities for the export of cattle and sheep, which could be raised in immense numbers.

In regard to forest wealth and lumbering, Newfoundland holds a very important place. The principal varieties of the indigenous forest growths are white pine, white and black spruce, tamarack or larch, yellow and white birch, fir. The large lumber trade already developed by the portion of the new railway, completed and operated as far as the Bay of Islands, furnishes ample proof of the forest resources of the country and gives good promise for the future. The pine lands of the Gander, Gambo, Exploits and Humber valleys are of great extent and value, and the export is increasing yearly. The limits of this paper do not permit a detailed account.

Copper mining was commenced, on a small scale, about thirty years ago. Up to 1879 the total quantity of ores exported from all the mines reached in value nearly a million pounds sterling. This placed Newfoundland sixth among the copper-producing countries of the world. It still maintains its character as a mining country. The customs returns for 1892 show that the value of the ore exported that year was \$1,006,592. At the present time mining constitutes one of the leading industries of the country. It is yet in its infancy and the near future will witness great advances, as the new railway is opening up the interior. The verdict of the geologists warrants such an expectation. The large development of the serpentine rocks (5,000 square miles) is a fact of primary importance. These serpentines belong to the Lauzon division of the Lower Silurian series, which constitutes the metalliferous zone in North America. In this Lauzon division all the Newfoundland copper

mines are situated. The shores of the great Bay of Notre Dame are of serpentine formation, as are also its numerous clusters of islands. On the opposite side of the island, at Bonne Bay and Bay of Islands, there are also large developments of the serpentine formation. But copper is far from being the only mineral. Nickel, asbestos, iron pyrites, lead, silver and iron ores are found at many points and give promise of profitable developments. Gypsum and marbles, too, are widely distributed. The coal areas of the western coast await working. Quite recently petroleum has been discovered on the same coast. On Pilley's Island, Notre Dame Bay, is a very valuable mine of iron pyrites, which has been worked for eight or ten years. In 1894 there were shipped from it 38,214 tons of iron pyrites, value \$195,780. Adjoining it and yet unworked is another deposit, believed to be even more valuable. Asbestos mining, on the west coast, is opening with great promise. Jukes, the eminent geologist, calculated that the coal field of St. George's Bay is 25 miles wide by 10 miles in breadth.

A very striking proof of the mining capabilities of the country, and the value of the railway in their development, has been furnished within the last two months, by the discovery of a coal area twelve miles long and six broad, near the eastern end of Grand Lake, and forty miles by rail from the Bay of Islands. It has been partially surveyed by Mr. J. Howley, F.G.S., the Colonial geologist. He estimates that one coal seam here, four feet wide, contains eleven million tons of coal; and there are six more smaller seams discovered. The new line of railway runs through the centre of this area. At Bay of Islands there is a magnificent harbor for shipping the coal. The coal has been tested and found to be of excellent quality. Mr. R. G. Reid is making arrangements to work this large seam next year. There is no reason why the whole island should not be supplied with coal from this centre. At no great distance from it is St. George's Bay, where iron is reported to be in abundance. This discovery greatly enhances the value of the railway.

Not less remarkable is the discovery last year of a deposit of iron ore on Bell Island in Conception Bay, only a dozen miles from the capital. There are two beds of ore on the island which have an area of two square miles. A mining expert of

high standing estimates that these contain fifty million tons of ore, so that practically they are inexhaustible. It is all surface mining ; no pumping is required, so that the cost is reduced to a minimum. The ore tests 55 per cent. The New Glasgow Iron Co. have leased the property, and have already expended a large sum in preparatory works. The smelting will be done at New Glasgow. This ore contains just what the New Glasgow ore is deficient in, while the latter has what the other requires. The two when blended make a splendid quality of ore, equal to any manufactured at present.

It may also be mentioned that along the line of railway there are almost inexhaustible materials for a pulp industry on a very large scale.

Railway construction, as already stated, is making rapid progress. The line from St. John's to Harbour Grace, 83 $\frac{1}{2}$  miles in length, was opened in 1884. The Placentia branch line, 27 miles in length, was opened in 1888. The returns of the former line, to Harbour Grace, show that, in 1893, 10,181 tons of freight were carried, for which was received the sum of \$22,294; the earnings per ton per mile were \$4.18, and the average distance hauled each ton was 52.40 miles. In the same year there were carried over the line 58,791 passengers, for which service the sum of \$48,815 was received. This line has a subsidy of \$45,000 from the Government and \$7,200 for the carriage of mails.

The new line under construction, from Placentia Junction to Port-au-Basque, 500 miles in length, is making rapid progress, and is admirably built. Messrs. R. G. Reid & Sons are the constructors, and it is allowed on all hands that no better narrow gauge line exists in any country. At this date the line has reached Bay of Islands, a distance of 356 miles from the Junction, and 406 miles from St. John's, leaving only 144 miles to be built. By the close of 1896 it will be completed and operated to Port-au-Basque.\* A short run of 100 miles, by swift steamers, across

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\*In connection with the new railway it is of importance to observe that the contract provides that the constructor shall operate the Northern & Western Railway from the completion of the Western Railway, for the balance of the time of ten years from 1st September, 1893. The first twelve years will be, of course, the most trying period, and the colony will be

the Gulf of St. Lawrence, will place travellers in connection with the continental railway system, and Newfoundland will almost cease to be an island. A tri-weekly or a daily mail will be secured by this route, and great possibilities for the future of the colony will be opened up. What the Canadian Pacific has done for the Dominion of Canada this Northern & Western Railway will do for Newfoundland. There are already about 1,200 miles of common roads in the country, and large additions will be made to these in order to establish connections with the railway from the more important points.

The fisheries of Newfoundland are so well known that only a very brief notice of them is required. They constitute the grand staple industry of the country, and will long continue to be the main source of employment for the people. The average annual value of the exports of codfish, the products of the seal, salmon, herring and lobster fisheries, Labrador included, is about \$6,660,691. The fish consumed in the country is estimated at \$400,000, so that we obtain \$7,060,691 as the average annual value of the whole fisheries of the country. Of the whole population of 202,000, 54,775 are engaged in catching and curing fish. Even in his day Lord Bacon could declare that "the fisheries of Newfoundland contained richer treasures than the mines of Mexico and Peru"—a remark which time has amply verified.

The railway runs through the very heart of the Caribou country, where the finest deer are found in immense numbers. Here, with due protection, may be maintained the finest deer park in the world. Sportsmen from all quarters are coming here in increasing numbers; while the noble scenery of the island, and its cool, salubrious summers, are attracting numbers of tourists from the United States and Canada each year.

It is evident that an island possessed of such rich and varied natural resources has a great future before it. It may have its reverses and seasons of depression, but having such resources, it will rally and surmount them. It may at times, from a series of calamities, such as above described, be "cast down," but

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relieved of the responsibility of operating the line for that time. When the line is finally handed over by the contractor to the Government, it may be fairly assumed that a considerable business will have been worked up and the main difficulty surmounted.

it will "not be destroyed." Injurious methods of conducting the industries and trade of the country may depress and for a time impoverish it; misgovernment may retard its advance or disarrange its finances; bad fishing seasons may cause want, but while its great natural resources remain unexhausted and inexhaustible, it will recover from its adversities and press onward.

Its population is derived entirely from Saxon and Celtic elements—the best stocks in the world. It is very small as compared with the size of the island, numbering, in 1891, only 202,040, in a country which is one-sixth larger than Ireland. From 1874 to 1884 the increase was 36,209, or at the rate of 22.4 in ten years. From 1884 to 1891 there was a falling off, and the increase was only at the rate of 3.40 per cent. in ten years. This was caused by an increase in emigration, owing to deficient fisheries and other depressing causes, but with increased employment emigration will be checked and the increase of population will resume its normal rate.

The imports in the period from 1885-94 were as follows:

1885.....	\$6,698,500	1890.....	\$5,368,855
1886.....	6,020,036	1891.....	6,869,458
1887.....	5,397,498	1892.....	5,012,877
1888.....	7,420,400	1893.....	7,572,569
1889.....	6,607,665	1894.....	7,164,738

These imports include the various necessities and luxuries of life—such as flour, 367,949 barrels, value \$1,471,796; molasses, 867,692 gallons, value \$268,206; pork, 15,116 barrels, value \$246,126; tea, 886,648 pounds, value \$144,575; sugar, 26,274 cwt., value \$85,817; tobacco, 667,645 pounds, value \$83,333; manufactured goods, wine, ale, porter, rum, brandy, whiskey. These figures apply to the imports of 1893.

The exports in the same period were as follows:

1885.....	\$4,726,608	1890.....	\$6,099,686
1886.....	4,862,951	1891.....	7,437,158
1887.....	5,176,739	1892.....	5,651,116
1888.....	6,582,013	1893.....	6,280,912
1889.....	6,122,985	1894.....	5,811,169

The exports are almost entirely the products of the fisheries. In 1893 there were exported from Newfoundland and Labrador 1,175,836 quintals of dried codfish, 112 lbs. to the quintal, the value of which was \$4,328,499. The export of herring reached 107,215 barrels, value \$227,288; that of lobsters, 35,403 cases, value \$265,522; of fish oils, 5,932 tuns, value \$217,484. The

value of seal skins exported was only \$116,456, the seal fishery having proved a failure. The value of salmon was \$46,108. The export in 1893 of copper (ore and regulus) was 45,431 tons, value \$410,795. In addition, 37,889 tons of iron pyrites were exported to the United States, value \$227,334, making the total value of ores exported \$638,129.

The following figures show the condition of the revenue since 1880:

1880.....	\$ 897,474	1888.....	\$1,370,029
1881.....	1,003,803	1889.....	1,362,893
1882.....	1,119,385	1890.....	1,454,536
1883.....	1,262,702	1891.....	1,820,206
1884.....	1,209,316	1892.....	1,883,790
1885.....	1,009,222	1893.....	1,753,844
1886.....	1,040,424	1894.....	1,640,945
1887.....	1,272,600		

The great bulk of the revenue is derived from customs duties. Thus, taking the revenue for 1894, amounting to \$1,640,945, the portion derived from customs was \$1,499,379, and only \$141,566 from other sources, such as postal revenues, \$45,600; Crown lands, \$4,261; light dues, Imperial Government mail subsidy, \$19,200; fees of various kinds, dry dock, \$3,390.

The public expenditure from 1885 to 1893 has been as follows:

1885.....	\$1,376,184	1890.....	\$1,993,288
1886.....	1,666,662	1891.....	1,831,432
1887.....	1,738,291	1892.....	1,668,120
1888.....	1,831,441	1893.....	2,110,012
1889.....	2,208,735		

The foregoing expenditure includes the entire civil service, and the interest on the public debt. It will be noted that in late years the expenditure frequently exceeded the income.\* This, of course, led to additional loans to wipe out the floating debt, at intervals. That by the application of care and economy to the civil service the expenditure can be very considerably reduced without seriously impairing its efficiency, no one can doubt. Under all governments, there has been of late a tendency to lavish expenditure, and a disregard for deficit at the end of the fiscal year, so long as these could be met by loans.

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\*In regard to the expenditure of the colony over its income, it must be remembered that the table of expenditures given for the several years includes expenditures on account of loans for public works on capital account. This, of course, presents matters in a more favorable light.

The necessity for retrenchment has been forcibly impressed on the mind of people and Government by the late financial crisis, and the Government have undertaken to carry out "drastic" retrenchment so as to adjust expenditure to income, and secure a surplus at the end of the year instead of having to face a deficit. Should this retrenchment, aided as it is by a very moderate increase of the tariff, be honestly and courageously carried out, there is no reason why, with reviving trade, the colony should not regain its former sound financial condition and be able to meet all its liabilities without any undue strain. If present difficulties are met successfully and tided over, there need be no anxiety regarding the future of a colony possessed of such resources as those described in the foregoing pages.

The proposed retrenchments amount to no less than \$494,000, the principal reduction being under the following heads:

Official salaries are to be reduced as follows: Those under \$6,000 and over \$2,400, one-fifth off; between \$1,600 and \$2,400 inclusive, one-sixth off; between \$1,200 and \$1,600 inclusive, one-seventh off; between \$1,000 and \$1,200 inclusive, one-eighth off; between \$800 and \$1,000 inclusive, one-ninth off; between \$400 and \$800 inclusive, one-tenth off.

Reductions are also made in the grants to the following services: Customs department, pauper relief, steam subsidies, legislative contingencies, printing and stationery, repairs to public buildings, judiciary and police, special grant to districts, road expenditure, education grant.

With the saving thus effected of \$494,000, the estimated expenditure for the present fiscal year is \$1,331,000, while the estimated revenue for the year is \$1,725,022, leaving an estimated surplus of \$394,022.

The following figures show the total cost of governing the colony under the retrenchment policy now in operation. Provision for the interest on the public debt and every item of expenditure connected with the various civil services are included in this list. By comparing it with the table of expenditures during the last three or four years, it will be seen to what extent these expenditures are controllable, and what a large reduction can be effected in the cost of governing the colony, without crippling the public services, by a judicious economy:

*Condensed Financial Statement for the Year 1895-96*

His Excellency the Governor .....	\$7,000
Private Secretary .....	822
Governor's Orderly .....	360
Fuel and Light .....	450
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	8,632
Colonial Secretary's Office .....	5,872
Receiver-General's Office .....	4,006
Customs' Department .....	70,017
Board of Works .....	6,241
Colonial Building .....	1,500
Legislative Contingencies (including salaries of Members of both Chambers, reporting debates, printing, etc.) ..	34,365
Crown Lands Office .....	12,064
Government Engineer's Office .....	3,628
Judicial Department .....	25,208
Police Department .....	87,371
Court House and Gaols .....	5,000
Ferries .....	6,400
Postal Department .....	85,590
Repairs to Public Buildings .....	4,600
Steam Subsidies .....	76,760
Relief of the Poor (including lunatic asylum, hospitals, poor house, permanent and casual poor, shipwrecked crews, etc.) .....	145,458
Pensions .....	4,256
Education Grant .....	122,923
Interest on the Funded Debt .....	460,000
Fog and Noonday Guns .....	948
Block House .....	610
Miscellaneous (including printing, postages, telegrams, unforeseen contingencies, insurance on public build- ings, grants to Dorcas societies, to encourage ship- building, maintenance of telegraph lines, lighthouses, railway subsidy, \$45,000) .....	155,375
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Total .....	\$1,327,774

It is perfectly possible to maintain the whole machinery of Government in efficiency for the above-named amount. If we estimate the revenue at the low average of \$1,500,000, it will be seen that a sufficient margin would be provided for the anticipated increase in the interest on the public debt on the completion of the railway at the end of next year, and for all other contingencies that might arise; so that the financial condition of the colony would be thoroughly sound. It should also be remembered that once the railway is completed no more loans will be required.

Now it may not be found practicable to carry out all these retrenchments to the exact letter. Unforeseen contingencies may arise necessitating expenditure to some extent, in certain direc-



tions, beyond the Legislative grants, on "executive responsibility." Still there is no reason to anticipate any large expenditure on such accounts, which would seriously interfere with the proposed retrenchment. It should also be considered that the plan of the proposed retrenchment was somewhat hastily concocted, and doubtless experience will suggest readjustments which will remove many objections now urged against it, and render it more efficient. In the present stage it is largely an experiment, but there is no reason why it may not be carried into effect. It will not only reduce an expenditure which for the government of 202,000 people is certainly large, but it will, in its application, tend to reform many of the abuses connected with the public services and help to purify the political atmosphere, and promote a healthier tone of public sentiment. In every way it is desirable. Instead of condemning the Government in advance, and accusing them of want of sincerity in the proposed retrenchment, in common fairness they should be allowed an opportunity of carrying out their policy, and be judged by the results. Should it prove successful, it will be one of the most important reforms of recent years and will greatly help to stabilitate the credit of the colony.

Of course everything depends on the revenue, which, in its turn, is dependent upon duties on imports. The revenue, which had declined seriously for a time after the crash, has steadily improved as trade revived, and has already regained its normal condition. For the month of September, 1895, it was only ten per cent. less than for the same month of 1894. The following figures show the comparative condition of the revenue in the month of October of the years named:—

1893 .....	\$138,906
1894 .....	136,065
1895 .....	153,381

It thus appears that the revenue for October for the present year exceeded that of the same month last year by \$17,316, and that of October, 1893, by \$14,475. The November revenue of this year, up to date, is equally satisfactory.

This remarkable improvement in less than twelve months, after one of the most severe financial disasters which has ever fallen on any community, shows the marvellous recuperative power of the colony, and the elasticity of its trade, as well as

the energy and courage of its people. The good fisheries of the year, combined with an excellent land harvest, have had much to do with this favorable reaction and the rapid removal of the commercial depression. The good seal fishery of the spring has been followed by one of the best summer fisheries experienced for many years. Not only has the catch been large, but owing to favorable weather and greater care, the cure has been superior to that of recent years, thus considerably enhancing the value of the products. The result has been that business has largely resumed its former activity. The shops, stores and wharves present their usual busy aspect; money is plentiful; and the cash trade this season has been the best for many years—a proof that trade has reached a sounder basis. It is evident the people are forgetting their misfortunes and looking hopefully towards the future.

To the fishermen the change promises to be especially beneficial. In one way and another they all obtained, at the beginning of the season, the means of carrying on fishing operations. They were contented with far more moderate supplies than formerly. It cannot be doubted that in the future they will work with greater energy, now that the depressing credit system, involving them hopelessly in debt, is curtailed, and their earnings paid in cash. The overthrow of the ruinous truck system was worth almost any amount of suffering. It was the great incubus on the industry of the country. Of course a certain amount of credit will still be necessary, but it will be kept within safe and proper bounds.

The introduction of the Canadian system of banking has had an excellent effect in restoring confidence. While these banks extend all legitimate assistance to those in business, no overdrafts are permitted and no hazardous speculation is encouraged. All attempts at gambling in the purchase of fish, for which the old system of banking presented facilities, are now frowned upon and prohibited. The notes of Canadian banks are known to be absolutely safe, so that in them an ample and reliable currency is provided. It is understood that the new banks are fully satisfied with the amount of business and the conditions of trade.

For many years the revenue has suffered severely by a

system of smuggling carried on by small coasting vessels from St. Pierre. Owing to the great extent of coast and the great number of small settlements, the practice has been found very difficult to suppress. Latterly it has developed into somewhat alarming proportions. The Government are at length thoroughly aroused to the necessity of stamping out the system, and are putting forth energetic efforts in that direction. Were smuggling suppressed, from \$100,000 to \$150,000 would be added to the revenue.

It may be well to point out that in all probability the Government have made an over-estimate of the revenue for the current fiscal year, and placed it too high. In fact, from the want of proper data, their estimate, of necessity, was rather a conjecture than a calculation. If the colony can meet all its liabilities during the year—and, as has been shown, there is no reason to doubt its ability to do so—such a result under the circumstances would be highly satisfactory. Even though there should be no surplus, or only a small one, no anxiety need be awakened and no financial crisis need be apprehended. It would only mean that a miscalculation in regard to the amount of revenue had been made. Should the colony make ends meet during the first year after the crash, and be able to show even a very moderate surplus, under the retrenchment policy, it would be unreasonable to look for more.

It may not perhaps be out of place to refer to the recent appointment of Sir Herbert Murray as Governor of Newfoundland. He is a gentleman of large experience in financial matters; so that his services are likely to be of great value to the colony at the present crisis in its affairs, and to aid in restoring confidence abroad.

The truth is, this is by no means such a poor country as outsiders are inclined to believe. When the "crash" came on the 10th of last December there were on deposit in the Savings Bank nearly three millions of dollars, and about two millions in the other two banks—five millions in all on deposit, or over \$24.5 per head for the entire population. This was not all. It was found that very large sums were hoarded, especially in the outlying districts, in bank notes and gold. The run on the Savings Bank lessened the deposits probably by one-half, much of

which is hoarded, because of the distrust of all banks engendered by bitter experience. With returning confidence these amounts will find their way back to the banks and become productive.

There is another point in favor of the colony which may be mentioned: the property of individuals is less burdened with mortgages than in the case of any of the neighboring provinces. In fact, judging by the number of mortgages on property, a very large proportion of the people are free from debt.

Some allege that the public debt of the colony has attained such dimensions that it will be impossible to carry on the public services and meet the interest, so that a collapse is imminent. No doubt at first sight the debt looks formidable, but when more closely considered, it will not be found at all unmanageable even now, and with an increasing population and fairly prosperous times it will not be so difficult to shoulder in the future. The total funded debt of the colony at the close of 1894 was \$9,116,534. The charge for interest in 1894 was \$380,855. The total funded debt of the colony, at the close of 1895, will be about \$13,900,000. This includes the new loan and probable payments on account of the railway, also the municipal indebtedness of St. John's, amounting to \$1,657,793. The amount required to provide for interest and sinking fund at the close of present fiscal year will be \$495,000. The amount required to provide for interest and sinking fund after the railway is completed will be \$576,500. The public debt on the completion of the railway will be \$15,225,200.\*

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\*It is worth while to compare Newfoundland's present indebtedness with that of other colonies. At the present date Newfoundland's funded debt (recent loan included) is per head \$58. The following table shows the public debt of the principal colonies in 1893, according to Burdett (1895):

New South Wales, per head.....	\$240
South Australia .....	300
Tasmania.....	245
Cape of Good Hope .....	80
Natal.....	65
New Zealand (since increased) .....	285
Queensland .....	350
Dominion of Canada .....	48
Victoria.....	200
Western Australia .....	190

When we take into account that the proposed retrenchments amount to \$494,000, or only \$82,000 less than the amount required for interest on the debt, it will be seen that no difficulty need be anticipated in regard to meeting the interest. Should a surplus arise it might be used in reducing the debt.

Then it must also be remembered that this debt is represented by public works of utility—by 610 miles of railway designed to develop the resources of the country, by lighthouses and breakwaters, by the St. John's dry dock and the general post office, as well as by common roads to the extent of 1,200 miles. Public works also serve another purpose—they distribute money in wages while they are in progress, and by increasing the imports increase the revenue.

On the whole, then, we are abundantly justified in taking a hopeful view of the economic condition of Newfoundland. The earning power of its people has not been reduced by the late collapse. Its business is placed on a stronger and safer foundation than before the crash. A vicious and ruinous banking system has been swept out of existence and replaced by one of the best in the world. The old credit system has at least received notice to quit, and can never be re-established. A load of debt being removed from the shoulders of the fishing portion of the population, they will work with new hope and energy. New employments for the people are opening up in farming, lumbering and mining. A spirited and energetic people are courageously facing their difficulties. The lessons of recent calamities will not be lost on either Government or people. A few years hence the colony will be in many respects a New Land.

M. HARVEY

St. Johns, Nfld., 20th Nov., 1895

NOTE BY THE AUTHOR.—In support of the views given in the foregoing pages it is important to know that the Government has placed, in London and St. John's, the full amount required for the payment of the half-yearly interest on the public debt, due Jan. 1st, without trenching on the recent loan, and entirely out of the current revenue for the year. When it is remembered that this is done during the first year after our terrible commercial crash, we see abundant proof of the sound economic condition of the colony, after all the storms it has passed through; and we are fully warranted in entertaining hopeful views of the future. All other payments in connection with the public services for the quarter are also provided for out of the current revenue.

## THE RESOURCES OF BRITISH COLUMBIA WITH SOME ACCOUNT OF THEIR RECENT DEVELOPMENT

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BEING THE ESSAY IN COMPETITION II TO WHICH THE FIRST PRIZE  
WAS AWARDED

WHEN, in 1871, the Province of British Columbia was added to the Dominion of Canada, immediate benefits to each beyond political considerations were but uncertain. That great factor in unity—ease of communication—was lacking, and was not supplied for fifteen years. Till then the Dominion had as little practical evidence of the possession of a Pacific Province as if the latter had been situated in South Africa ; and the Province, in its turn, had to look to San Francisco as a base of supplies, and to expect mails and settlers to be conveyed by way of the United States or Cape Horn. No adequate and inviting means of communication with the interior existed, and the country, beyond its borders, was regarded as fit for little but a field for the adventurer and sportsman. But when the Canadian Pacific Railroad was successfully completed, a new era began, and, for practical purposes, British Columbia as a Province of the Dominion came into existence.

One hundred years ago the country had just been discovered. Cook and Vancouver had made exploratory voyages along its coast, to be followed by a few adventurous trading vessels in search of furs. On the same mission came representatives of the North-West and Hudson's Bay Companies, who made their way through dangers and hardships from the east, and have their memories perpetuated in the rivers bearing their names, which brought them to the coast. The territory later came under the permanent occupation of the Hudson's Bay Company, with their headquarters at Victoria, on Vancouver Island, and was named "New Caledonia," and had reached the initial stage of development—that of a "fur country."

In shape the province, thus first settled, is an irregular

parallelogram, lying on the Pacific Coast between 49 degrees and 60 degrees of north latitude, and having an average width of 400 miles. Its area, including that of Vancouver Island—which shelters for 250 miles the more southerly portion of the coast of the mainland—is estimated at 383,300 square miles—a larger area than that of any country in Europe except Russia. The coast line on both island and mainland is sinuous and indented to a remarkable degree. The interior of the country is described by geologists as belonging to the Cordillera belt of the west coast, and comprises the Rocky, Gold and Coast ranges of mountains. The existence of Vancouver Island is due to the appearance of a fourth and submerged range. Between and through these ranges flow the other distinguishing features of the province, its rivers—the Fraser, Skeena and Stickeen, with part of the Columbia and Peace. Separating the basins of the Columbia and Fraser rivers, and extending northward, lies an elevated table land; the rest of the province consisting, generally speaking, of alternations between mountain and valley.

Considerations of, and criticisms upon, the state and prospects of British Columbia must have regard to the fact that accurate knowledge of the country is confined to its southern and coast districts. Much of the northern portion has not yet been surveyed. In consequence of this, and of its present-time inaccessibility, not only has no development there taken place, but its very possibilities are but guessed at. If they prove as great as those in districts already known, no adequate computation of the prospective wealth of the province has yet been made.

Transition from the standing of a fur country to that of one yielding gold was of a somewhat sudden and unexpected nature, but was what first awakened interest in its possibilities. The gold excitement of 1849, which had brought a motley crowd of adventurers to California, had scarcely passed its height when a report was spread of gold discoveries on the Fraser river, and in a few weeks thousands were camped at Victoria. Considerable reduction was, however, soon made in their numbers when the difficulties of penetrating beyond the coast were realized, but to the pioneers who remained British Columbia owes the recognition to that mineral wealth which,

from the very configuration of the country, must ever remain its chief resource. While nature has not afforded inducements for settlement in the way of a general and unstinted productiveness, she has laid up—now proved beyond a doubt—vast stores of gold and silver, coal, iron, copper and other minerals, as the reward of enterprise. Her gifts in the matter of forests have been lavish in the extreme, and these are destined in the future to serve as a store for half the world. She has filled the waters with fish, affording most palatable and nutritious food, and has altogether so neutralized the rugged, forbidding features of the country as to fit it for the home of an industrious, wealthy race.

**GOLD.**—In seeking to trace the progress that has been made towards development of the mineral wealth of the Province, gold, the original attractive feature, first claims attention. Its distribution is general—so general that there are few districts which do not show evidences of its presence in at least a small degree. Previous to the great gold excitement it had been discovered and worked in the Queen Charlotte Islands; but from 1858 interest was almost entirely confined to the Fraser river, and the district drained by it. The early prospectors, believing that the fine gold discovered on the “bars” of the lower Fraser was only an indication of richer deposits in the interior, made their way in face of great hardships to the Cariboo District, some four hundred miles from the sea, and there found their anticipations of rich deposits more than realized. Less primitive methods than those previously in use were adopted, shafts were sunk, tunnels were run, and pumping machinery introduced, with the result that the output of gold of the Province for the years 1862-3 was estimated at something over \$4,200,000. The output for 1864 alone was estimated at \$3,735,851, since which year figures have shown a gradual but steady decrease, rising slightly in 1894. Already, however, the province has contributed gold of an approximate value of \$50,000,000 to the stock of the world. For the purpose of comparison the following figures may be taken :

Year	Value of Gold
1870.....	\$1,336,956
1880.....	1,013,877
1890.....	494,435
1892.....	399,526
1893.....	379,535
1894.....	456,000



So far all has been produced by alluvial or placer gold mining, with light appliances, and with supplies and labor commanding almost prohibitive prices. "The cheapening of these essentials," says Dr. G. M. Dawson, of the Geological Survey, "produced by improved means of communication, and by the settlement of the country, coupled with the attendant facilities for bringing heavy machinery and appliances into use, will enable the profitable working of greatly extended areas."\* The increased yield for 1894 may be ascribed to the adoption of heavier plant and systematic methods by a few mining companies which have in the last two or three years been preparing the way for hydraulicizing operations on a large scale, and the season about to open should witness a much greater output from these sources.

As yet "quartz," or vein mining, has received no practical attention, though evolution in the future towards that from present methods will only be natural. The authority quoted above says the following on this point: "It becomes important to note and record the localities in which rich alluvial deposits have been found. . . . Their existence points to that of neighboring deposits in the rock itself, which may be confidently looked for, and which are likely to constitute a greater and more permanent source of wealth than that afforded by their derived gold." This has been verified in California and Australia, while the Treadwell mine in Alaska pays richly at the rate of \$3 for every ton of quartz mined, and is situated in rock formations identical with those of the coast region of British Columbia.

**SILVER.**—When the Cariboo excitement had waned considerably, and the more profitable diggings had all been worked, some adventurous spirits pushed their way eastward to the wild region in the neighborhood of the Bend of the Columbia, meeting with considerable success, but with more importance attaching to ultimate results than to their actual profits. From this district another band, prospecting to the southward, in 1886 accidentally stumbled across an outcrop of ore, which proved to be rich in silver, associated with copper. From this discovery

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\*Dawson's *Mineral Wealth of British Columbia*, p. 45.

dates the opening of the Kootenay district and the development of silver mining therein.

For a time satisfactory progress was retarded by the exaggerated values placed on claims by their discoverers, themselves without means of opening them up, and by the difficulty in local transport of large quantities of ore. The first obstacle has removed itself naturally, the second is being overcome in the construction of trails and short lines of railroad connecting the natural water-ways. As late as 1892-3 discoveries of silver ore, phenomenally rich, were made in what is known as the Slocan group of mines, a trustworthy assay of seventeen specimens from which giving a silver average of 178 oz. per ton, and a lead average of 61%. From September 13th, 1894, to March 16th, 1895, 4,641 tons of ore, valued at \$473,000, were shipped from this district alone; while for 1894 the entire value of silver ore shipped from the province was \$793,460, against a yield of silver for the years 1889 and 1890 of an estimated value of \$47,873 and \$73,984, respectively. Hitherto there has been no adequate and permanent means of treating ores in the province, all having to be sent to smelters at Omaha or Tacoma; but a smelter on Kootenay Lake commenced operations so lately as the 11th of March, 1895. British Columbia's first export of base bullion ever made was from this smelter on the 17th day of the same month.

It is a very significant fact that these important developments in silver mining have taken place at a time when silver has commanded an abnormally low market price, and when the industry elsewhere has been exceptionally depressed. It is also remarkable that the majority of the mines are worked by American capitalists and miners with experience brought from the silver mining States, and that the entire products pass directly over the boundary line. Physical features and railroad connections favor this last result.

**COAL.**—Preceding the discovery of gold was the recognition of the existence of coal on Vancouver Island in the year 1835, from which date small quantities were used for smithy and other purposes by the Hudson's Bay Company's agents. In 1850 well defined and extensive deposits were discovered at

Nanaimo, and in 1852 actual work began. Further discoveries have since been made, and the coal measures on Vancouver Island alone are estimated as covering 500 square miles. The industry has made steady advances to the present time, the last few years alone showing fluctuations. From 1852 to 1859 25,400 tons were shipped from Nanaimo, comparative production since being as follows :

Year	Tons
1860 .....	14,250
1870 .....	29,850
1880 .....	268,000
1890 .....	678,140
1891 .....	1,029,097

The output for 1891 has not since been equalled, the nearest approach to it being that of 1894, 1,012,953 tons. In quality the Nanaimo coal is superior to any worked on or near the Pacific coast, and even with price heightened by duty, commands a better market in San Francisco than any duty-free competitor. Diminution in production is not regarded as permanent, being due to trade depression ; and the industry has for many years been a staple one, having long been established on a most satisfactory financial basis.

Coal occurs in many districts throughout the province, ranging in character from anthracites to lignites, but, as far as interior beds are concerned, the difficulty and expense of shipment are so great that little has yet been done toward development. Just beyond the eastern boundary, and on the main line of the Canadian Pacific Railroad, is a valuable anthracite mine in active operation. The survey for the alternative railway line through the Crow's Nest Pass proved the existence there of beds phenomenal in thickness, while other deposits are elsewhere recognized in proximity to indications of iron.

**OTHER MINERALS.**—Gold, silver and coal, though ever likely to remain the chief factors of mineral wealth to the province, do not by any means constitute all. Large deposits of iron—already worked to some extent—copper, mercury, iron pyrites, plumbago, mica, and asbestos are known to exist. Platinum has lately been produced in more considerable quantities than in any other part of North America, and as the pro-

vince becomes more thoroughly explored, "it seems probable," says Dr. Dawson, "that few minerals or ores of value will be found to be altogether wanting."

**LUMBER.**—Some idea of the value of the lumber resources of British Columbia may be gathered from the inferences drawn by Mr. George Johnson, Statistician to the Department of Agriculture, in the recently published report on the forest wealth of Canada. One of these is to the effect that, with the exception of spruce as to wood, and British Columbia as to provinces, Canada is within measurable distance of the time when it shall cease to be a wood exporting country. This at once places a high value upon the existing growth of timber in the province, and implies a resource when similar ones in other parts of the Dominion shall have failed. Prevailing climatic conditions have fringed the bays and inlets of the coast with timber, of exceptional size and density of growth; the mountain slopes of the interior are all wooded, and in no portion of the province is the supply of timber insufficient for local demands. The lumber trade, however, has not of recent years shown great vitality, a consequence of depression in foreign markets and speculative shipments. Values of exports have fluctuated very much, as appears from the following figures :

Year	Value of Exports
1884 .....	\$458,565
1886 .....	194,448
1888 .....	441,765
1891 .....	394,996
1892 .....	425,278
1893 .....	454,851

Exports for 1884 were of greater value than has been the case in succeeding years. In 1894, 67,500,000 feet of timber were cut, and 65,000,000 feet in the preceding year. The revenue derived from that source by the Government was \$59,500. The chief seat of the industry always has been, and always is likely to be, in the coast and island districts—in which are situated the majority of the saw-mills—both on account of the growth of timber and the facilities for collecting logs and making shipments.

The chief trees are conifers, besides oaks, maples, poplars and alders. About 85 per cent. of the lumber is obtained from

the Douglas fir, which makes excellent building material. Its density of growth is remarkable. The best specimens of the tree average 160 feet clear to the first limb, and are from five to six feet in diameter at the butt. Exceeding this in size and girth is the cedar, which is in much request for fine dressed woodwork, doors, frames, sashes, etc. The manufacture of shingles from this tree is probably the industry connected with lumbering which has developed most of recent years.

**FISH.**—While it was as a gold-yielding country that British Columbia first attained prominence, it is to a large extent to its fisheries that it owes world-wide advertisement, since the products of its waters, whether tinned, dried or frozen, have found their way into all quarters of the globe. Probably its fisheries are the richest in the world, and the peculiarly sheltered nature of its coast must be recognized as serving to greatly minimize the danger of a usually precarious calling. The fish caught include salmon, halibut, cod, herring, oolachans (peculiar to the northern coast), and others.

Salmon canning as an industry has now assumed extensive proportions, and rests on a secure and profitable basis. Each year, with unfailing regularity, shoals of the fish visit the inlets and rivers of the coast in such numbers that, by those unacquainted with facts, statements on the subject are often received with incredulity. In the case of the Fraser river an abnormally large "run" takes place every fourth year. It is on this river that the majority of the canneries are situated and on it that operations were commenced in 1876, when two canneries "put up" a pack of 9,847 cases. Next year the number of canneries had doubled, and the pack increased to 67,387 cases. For the fifteen years ending with 1890 the total pack was 2,572,000 cases. Since then figures have been :

Year	No. of Cases
1891 .....	315,177
1892 .....	228,470
1893 .....	590,229
1894 .....	494,369

One of the phenomenal runs took place in 1893, and the pack for that year is the largest on record, being valued at \$3,150,609, the average value for the ten previous years being

\$1,578,417. In 1894, 51 canneries were in operation, of which 30 were on the Fraser, while four more are in course of construction for the season of 1895. As the trade is almost entirely an export one, the profit of the industry to the province is apparent.

With the exception of halibut no fish has yet been caught for other than the home market. During the winter of 1894-95, however, several companies were incorporated with the object of supplying the eastern markets with this fish, at a time when it could not be obtained on the Atlantic coast, and the very success attending such enterprises has proved likely to defeat itself. Halibut were caught in such abundance that the supply exceeded the demand, and one company, at least, closed the season in financial difficulties. On one trip a vessel obtained 120,000 lbs., and in six trips 520,000 lbs.—evidences of the richness of the fisheries. Increasing attention has been paid of late to facilities for freezing, drying and canning different varieties of fish, and it is not improbable that in the near future still more attention will be given to the development of this valuable resource.

**SEALING.**—Partly to be classified with fisheries and partly with the fur trade is the sealing industry—one of considerable importance to the province. Begun in 1878, it has made gradual but steady progress since that date, although, with the low price of skins at present ruling, it is not likely to be capable of much greater extension. According to the latest obtainable figures—for 1893—the number of vessels engaged was 55, and the value of the catch was \$874,842, an increase of \$241,723 over that of 1892.

**FURS.**—The fur trade of the province has now been entirely dwarfed by younger rivals, and has ceased to command attention from any but those immediately concerned in it. Fur-bearing animals have not noticeably decreased in number, but the demand for their skins, being governed largely by the caprice of fashion, is only sufficient to induce settlers and Indians to look to their capture as an added means of obtaining a livelihood.

**AGRICULTURE.**—It is difficult to make any general state-

ments as to the agricultural development which British Columbia has undergone, but it is not amiss to say that it has scarcely yet passed the stage of crudity. Uninviting, for the most part, as the country is in surface appearance, there are yet many rich fertile valleys, capable of much cultivation, and the interior tableland has proved of the utmost value both for agriculture and stock raising. Possibilities have suffered from an extensive rather than an intensive system of farming in vogue, by which a settler holds far more land than he can possibly bring under cultivation, and also from speculation in land values. Roads, too, are so few and far between that disposal of produce is very difficult for many of the "ranchers."

Climate, of course, has everything to do with steady progress in this direction, and compared with eastern provinces, British Columbia has been specially favored. On the coast the atmosphere is moist, with mild winters and pleasant summers; in the interior dry, warm enough to ripen the grape in summer, and seldom excessively cold in winter, with a heavy snowfall on the mountains. The coast districts are characterized by dense and rapid growth of vegetation, and clearing has always to be resorted to; but the valley of the Fraser river, together with much of Vancouver Island, is being gradually brought into a state of cultivation. The delta lands at the mouth of that river are the most valuable in the province on account of their productiveness and proximity to markets. Irrigation, again, would benefit the interior dry belt in some districts, though a great part of it is noted for successful production of wheat, fruit and vegetables. What is known as the Okanagan District has proved specially fertile, and well adapted for settlers.

How far short the province comes of meeting its own requirements in agricultural produce may be gathered from the fact that the value of its imports for the year ending 30th June, 1893, was \$2,483,390, and \$2,659,698 for the same period ending 30th June, 1892; and also from the quantities of butter, flour and hay imported, which were as follows:

Year	Butter	Flour	Hay
1892.....	1,677,970 lbs.	76,432 lbs.	827 tons
1893.....	2,065,435 "	90,506 "	1,399 "

It is likely that statistics for 1894—not yet complete—will

show considerable increase in imports on account of the floods in the Fraser valley, which in that district did much damage, and left many settlers impoverished. There is no good and sufficient reason, however, why the large amount of money annually remitted for foodstuffs should not be retained in the province, why the farm produce of the coast and islands should not replace that of eastern Canada in the home markets, and the fruit of the interior the products of California. More careful cultivation of smaller holdings, with better and cheaper means of communication than already exist, will inevitably bring about this result.

**POPULATION.**—Vital statistics must bear striking witness to a country's progress. A steady increase of population is always regarded as a sign of its advance, and in this regard the statistics of British Columbia are particularly significant. According to the Dominion census the population in 1871 was 36,247, in 1881, 49,459, increasing to 98,173 in 1891, or at the rate of 98.40%. Making allowance for Chinese and Indians, the whites number about 65,000, and they have constituted the larger proportion of the latest increase. Of these about 50,000 are congregated in the cities, and the remaining 15,000, consisting of ranchers, lumbermen, miners and fishermen, are scattered over the rest of the province—the population of an average sized English town to a territory three times the size of the British Isles.

**FINANCES.**—Naturally the public debt of British Columbia has grown with its development. At Confederation the Dominion assumed a debt of \$2,029,392. The balance sheet of the province for the fiscal year ending 30th June, 1894, shows total liabilities amounting to \$3,904,807.24, a sum which exceeds the total assets—including the Government debt allowance of \$583,021—by \$2,398,767.72. The net revenue for the same period was \$821,660.55, and the net expenditure \$1,514,405.10. To make good deficiencies a further loan of \$2,000,000 has been approved by the Provincial Government. While this method of financing is open to honest criticism, the fact remains that capital, wisely administered, is British Columbia's greatest need, and the province has hitherto had the satisfaction of seeing its bonds command a good price.



It is impossible to summarize British Columbia by comparison with any other province of the Dominion. In physical features and combination of resources it is unique. Other provinces may surpass it in the possession of one great resource, but there is not one which can enumerate so many of equal importance. As has already been stated, development has, so far, been carried on in the face of difficulties, and is, practically, only beginning. Nothing as yet can be said to have suffered decline—with the exception, perhaps, of gold production, and there is every reason to believe that that merely marks the stage of transition from the simple methods of individual miners to the more systematic ones of organized capital. Probably the mining of silver will prove an industry of a more lasting and beneficial character than that of gold; since within a decade it has served to open up a district previously looked upon as rugged and unproductive. Everything considered, it may safely be concluded that the province is on the threshold of a period of rapid and thorough development of its mineral resources. Its immense reserve of timber is only awaiting the demands of trade to become an increasing source of wealth. The importance of its fisheries is emphasized by the careful regulations framed by the Dominion to protect and improve them; and agriculture cannot long lag behind when the difficulties incident to the settlement of a new country are overcome, and its requirements are better understood. The advantages of position must not be forgotten, representing, as British Columbia does, the outlet on the Pacific Coast for the whole Dominion to the eastward, and possessing direct and regular communication with the Orient and Antipodes. The probable completion of the Nicaragua Canal, also, will bring its coast nearer the shores of the Old World, and as facilities for transport by sea and land increase, there is every reason to expect a more than corresponding development of the rich resources of British Columbia.

F. M. BLACK

## NOTES AND MEMORANDA

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We are pleased to be able to furnish our readers in this number with an article dealing very fully with the condition of affairs in Newfoundland, by a gentleman who, we are strongly assured, is thoroughly well informed on the whole subject.

In Canada very little has been known of Newfoundland at any time, and the highly colored accounts which have reached us at intervals since the crisis, through the columns of the newspapers, have created an entirely erroneous impression in the minds of the public here as to the real situation, and have done great injustice to the credit of the colony. Dr. Harvey's article is therefore timely, particularly as it indicates that the outlook is under the circumstances in every way encouraging. We are directly as well as indirectly interested in the welfare of the colony, and the possibility of a renewal of negotiations for its admission to the Confederation will no doubt give to the article an added interest.

The utterly untrustworthy character of the information respecting Newfoundland which has been furnished through the press, is deserving of comment, and it will serve a useful purpose to quote some spirited remarks on the subject contained in Dr. Harvey's letter to the Editing Committee enclosing his MSS:

"The story about there being 5,000 persons employed in the Civil Service, is an entire fabrication. The number employed is not greater than the average of such services in other countries.

"The messages sent from here to the United Press and other news agencies, are frequently gross exaggerations or downright fabrications. They are sent for sensational purposes or for political ends, and should be received with great caution. Witness the story lately circulated on this authority by the whole Press of the United States and Canada to the effect that a discovery was made here of a syndicate for insuring vessels and scuttling them to obtain the insurance, in which many of our

leading business men were said to be implicated. There was not the shadow of a foundation for such a tale. This is only one of a score of similar stories. It is not creditable to the Press that it should continue to receive and circulate such untruths."

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It now appears to be improbable that the proposed International Monetary Conference, referred to in a recent issue of the JOURNAL, will be held. Two elements have arisen to check the progress of the agitation for bimetallism. These are, the marked rise in the prices of commodities in the past few months, and the developments in the gold mining industry which have given rise to so much serious speculation as to the possibility of a "coming flood of gold." In the face of a production last year the largest known, people will not be found so ready to attach credence to the claim that there exists a scarcity of that metal for monetary purposes, although it must be said that the bare fact of an increased production is not necessarily evidence against a scarcity any more than a production somewhat below the average was before this year proof the other way. And viewed from another aspect, it is, for the time being at any rate, useless to continue urging an appreciation in the value of gold in view of the recent upward movement in prices. It follows that if, as there is reason to hope, we are on the eve of a period of reasonable prosperity, the silver problem is not likely to give us cause for anxiety for a considerable time to come.

It is at any rate reassuring to learn that "sound money" is a plank in both party platforms in the United States. As to Great Britain, the situation there is indicated in the following quotation from a letter written by Mr. Balfour to a correspondent who questioned him as to the accuracy of the published reports of some utterances of his made shortly after the accession of his party to power. This document, coming from the pen of one of the foremost champions of bimetallism, affords a very clear view indeed of the position of the cause in Great Britain :

"I know not why persons interested in the subject should be, as you say they are, 'perplexed at my supposed change of attitude towards the question of international bimetallism,' for no such change of attitude has taken place. The terms of my answer in the House of Commons, which has given rise to so much unnecessary discussion, explicitly stated opinions which I have long

held and which I thought that all bimetallists held also. The answer was textually as follows, except that I have numbered the propositions it contains for convenience of reference :—

“(1) I am, as I have always been, strongly in favour of international agreement, but (2) I have no right to pledge my colleagues on the subject, nor (3) have I any grounds for thinking that such an agreement would at the present moment be the result of an international conference. (4) A second abortive conference would be a serious misfortune.”

“Number 1 is a mere re-enumeration of my belief in the advantages of an international agreement; 2 is a statement which I have constantly made before in public; 4 appears to be self-evident. It is only as regards the subject dealt with in 3 that any difference of opinion may possibly be found among bimetallists. In my judgment, however, there is but little prospect of a conference succeeding unless the Governments who are to be represented at it come to some kind of understanding on the main points at issue before the conference assembles. No such understanding unfortunately at present exists, and until it does exist a conference would probably do more harm than good.”

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THE English Board of Trade is making a strong effort to have the Acts relating to joint-stock companies with limited liability consolidated and made to include provisions calculated to prevent many abuses which the provisions of the existing Acts have permitted. A Departmental Committee, appointed in November, 1894, to enquire what amendments were necessary, after taking the evidence of various persons and associations, presented its report in August last, accompanied by a draft bill. In the appendices of the report is embodied the judgment in the case of *Broderip v. Salomons*, which was recently published in the JOURNAL; and the influence of the disclosures made and the views expressed by the court in that case, is reflected in the text of the draft bill.

It is a requirement of the bill that in the prospectus of any company shall be published the fullest particulars of any purchase of property to be made by the company, the terms of the purchase including a statement of any payment to be made for good will, etc.; the prospectus must also state the amount, if any, intended to be paid to any promoter or agent, and the consideration for which it is to be paid, as well as mention of the dates, parties, and a short purport of every material fact known to any director or promoter of the company.

As a further safeguard of the interests of subscribers to stock, the bill provides that a meeting of the shareholders must be called within one month of the filing of the statutory declar-

ation necessary as a condition of commencing business, and that seven days before the holding of such meeting a report must be sent to every shareholder, showing: the allotment of shares, to what extent and how paid up; the amount of receipts and payments up to the date of the report; the nature of any contract made with the promoter of, or vendor to, the company, not disclosed in the prospectus; the position and prospects of the company, etc. The shareholders being placed in possession of this information would be enabled to move for the winding up of the company, if they found that the promoters had not kept faith with them.

With regard to mortgages and special liens upon the assets of the company, the bill provides that where these are not registered within twenty-one days of their execution, they shall be void as against creditors.

It is much to be hoped that a bill giving effect to the substance of the recommendations of this committee will receive the sanction of the law. Doubtless some legislation will shortly be introduced in the British Parliament, when there may be occasion for further comment.

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THE annual reports issued in the last few months by the Australian banks seem to show that the mess into which the affairs of some of them had been got at the time of the crisis, was not less serious than at this distance it was judged to be. The cloud of depression following the crisis is lifting only by slow degrees, and the realizations from lock-ups in real property have in consequence been altogether disappointing. The contrast with the United States in respect to the progress in recovery is very marked, but the reason clearly lies in the fact that the violation of economic laws in the Australian boom was even greater than was the case in the United States. There perhaps has never been a financial collapse so directly and entirely attributable to the pursuit of an unwise policy by a country's banking institutions, and how very bad the banking was in all but at most three instances, is only apparent now that the results of the first year of operation under the reconstructions are seen. This is strikingly illustrated in the case of

a bank whose scheme of reconstruction involved the conversion of £2,112,000 of deposits into preferred stock. The report of this institution to 30th June last shows that the earnings for the year had been sufficient to defray the expenses of management, and after providing for losses, leave a balance to carry forward of £5,000! Which simply means that the earnings fell about £100,000 short of the sum required to enable the bank to pay the stipulated interest on £2,112,000 of moneys which were lodged with them as deposits, and afterwards—without the depositors having a choice in the matter—converted into preference stock,—to say nothing of a dividend to the original shareholders. In this instance at least—and the bank alluded to is one of the largest—the sacrifice which the depositors are having to bear is unfortunately greater than they might have looked for from the views of the situation expressed by the management of the banks concerned at the time of the reconstructions.

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IN New Zealand the financial situation from the banking standpoint is even worse than in the Australian colonies. The troubles of the Bank of New Zealand, by far the most important of the New Zealand banks, commenced some years before the Australian crisis. From its experiences, indeed, a lesson might have been learned by the Australian banks which would have mitigated the disaster there, but “the disclosed troubles of the Bank of New Zealand from 1887 to 1890 had no apparent effect on the conduct of business by the Australian banks, which, like the Pharisee, thanked God that they were not as the Bank of New Zealand, and continued to work on the same fatal lines.” \*

Two of the three New Zealand banks, viz., the Bank of New Zealand and the National Bank of New Zealand, had to be “reconstructed” some time before the Australian crisis, the Colonial Bank, however, coming through the different crises without disaster. But the mismanagement of the first named bank has resulted in an appalling destruction of capital, and has

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\* SIDNEY J. MURRAY in the *Bankers' Magazine* (London), November, 1895.

had far-reaching consequences. The cause of the troubles, as in Australia, was lock-ups in landed property and other fixed assets.

In 1888 it was found necessary to write £300,000 off the bank's capital of £1,000,000, and to issue £500,000 of additional stock. In 1889-90 the assets of three land and agricultural companies with which the bank was heavily involved were transferred to the Bank of New Zealand Estates Company, and a further sum of £300,000 was written off the capital, reducing it to £900,000. The quality of these assets is disclosed by the developments of the past year or two. In 1894 the Government had to step in and guarantee £2,000,000 of new stock to the bank, the subscribers to which—and subscribers appear to have been readily found—were told that £1,000,000 of the new capital would be employed in the ordinary business of the bank, and the other £1,000,000 invested in securities to be approved by the Colonial Treasurer. Little more than a year has passed, and it is announced that, in order to avert a national catastrophe, the Government must take over the bank, writing off the entire capital of £2,900,000! If we were sufficiently credulous we ought to infer that the bank has in the course of one year's business lost this prodigious sum, but no other conclusion is possible than that the major portion had been lost when the issue of £2,000,000 of stock was offered to the public. In just what position the Government is placed towards the unfortunate subscribers to this last issue of stock is a matter on which an opinion cannot properly be formed without the full facts, but a great scandal lurks somewhere.

It is said to be a certainty that the Colonial Bank will be absorbed by this government institution, and to be a probability that the National Bank of New Zealand will also be merged in it, thus creating one State bank, competed with only by the branches of the Australian banks, whose competition, it is hinted, will be regulated if necessary by taxation.

The spectacle of a State bank, the creature of political parties, in a country where the standard of political honor is not of the highest, affords anything but assurance as to the colony's future welfare.

IN the purchase of municipal debentures the necessity for an investigation of the validity of the issue, and—where the transaction is not with the municipality direct—of the genuineness of the bonds, as well as the need for evidence on these points to satisfy a purchaser in case of re-sale, are matters which all dealers in these securities have felt to be very troublesome. The issues of smaller municipalities are not infrequently found to be prepared under improperly framed by-laws, or to be irregular in form, while the bonds themselves are usually cheaply lithographed or printed, so as to render imitation and fraud thereby an easy matter. It has happened thus far that nothing of this kind has been perpetrated in Canada, but frauds by means of bogus bonds have of late years been numerous in the United States, and in some cases for very large sums. Their increasing number has prompted one of the Trust companies in New York to take up as a branch of its business the certification of municipal bond issues. The company offers to investigate through counsel of high standing the regularity of issues, and to stamp the bonds, before their sale by the municipality, with their guarantee that the bonds are regularly issued, and a valid obligation of the municipality. It is part of the scheme also to provide for the registration of the bonds in New York, and for the payment of the interest at the office of the Trust company.

It is to be hoped that this method of dealing with municipal bonds will before long become general. That it would materially enhance the value of such securities—at any rate of the issues of more or less obscure but prosperous communities—there can scarcely be a doubt.



## REVIEWS

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The Editing Committee desire it to be understood that the "Reviews" appearing from time to time, even where not over a signature, are contributed, and are not in the nature of Editorial opinion.

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*History of Monetary Systems:* ALEXANDER DEL MAR, M.E.;  
Effingham Wilson, Royal Exchange, London.

MR. DEL MAR's book fills a gap in the literature of monetary science. Unlike many of his predecessors, he treats of the history of moneys from a practical as well as from a scientific standpoint; and though one may not entirely agree with his conclusions, one is forced to admit that the historic groundwork upon which they rest is so solid as to merit for them the most careful attention.

The book forms an argument for no particular theory; the only thing the author seems to feel strongly upon is the subject of private Coinage, and this he denounces in unmeasured terms. But the main object of the book is to give the reader an intelligent account of how money came to be what it is, and how the different ideas connected with it have been evolved. Mr. Del Mar treats his subject with the master hand of one who is thoroughly acquainted with its every detail.

The author traces the evolution of money as it is to-day through six distinct steps. The first and most primitive form of exchange was, of course, barter, when one or more articles of one kind were traded for one or more articles of a different description. But the necessity for a common measure of value soon becomes apparent, even in primitive communities, and hence the use of a certain divisible commodity, such as beans, to act as a medium of exchange. But beans and the like can be used for a variety of purposes; they may be eaten or sown, so their place is taken by metallic pellets. It is soon discovered, however, that the arrival, or departure, of a few loads of pellets makes enormous fluctuations in the market, and so the emission of these pellets becomes localized, and the law of the state

forbids the use of any but a certain kind. The pellets then become coins. The idea which the author ascribes to Lycurgus, of Sparta, that the function of money is to measure value, is the next step, and the issue of coin is limited to a certain publicly known number of counters, having no value as pieces of metal, but great value as a public measure, and then "money becomes a public institution owned and controlled by the state." In order to invest this state money with the necessary dignity and prestige, the sacerdotal authority is thrown around it, and the counterfeiting of the state money is regarded as sacrilege. But the want of a fixed relation between the metals causes great disturbances, and frequent re-coinages have to be made, so that finally moneys of account are created by law, called in Rome libras, sicilici and denarii (analogous to the English £ s. and d.), to which an arithmetical scale of proportions might be applied, and money becomes an institution of law.

The moneys of the ancient states of the East first engage the author's attention, and he treats at some length of the coined money of India, the superior antiquity of which is beyond dispute, and of the monetary system of Persia under her native rulers, and before Alexander of Macedon swept everything before him in his crusade against that unfortunate country.

Regarding the money of Persia, it is interesting to note that under her native rulers Persia had a monetary system almost identical with that of England at the present day. Mr. Del Mar deals at some length with the superstition that the Greeks were the first inventors of money, an idea based largely on certain passages in Herodotus. The author deals with these passages in such a way as would, without doubt, make that worthy old gentleman turn in his grave. An interesting account is given of the moneys of Rome, of the Moslems, of the early English and of the Arabians, the greatest metallurgists of early times, of the moneys of the Heptarchy, Anglo-Norman, early and later Plantagenet periods, and of the systems of Scandinavia, the Netherlands, Germany and the Argentine Confederation, an account interesting, wonderful to say, to others than antiquarians.

But the chapters of especial interest to the student of money, are those on the Sacred Character of Gold, on £ s. & d., on the Growth of the Coinage Prerogative and on Private Coinage.

For more than thirteen centuries, the right to coin gold money pertained exclusively to the Sovereign Pontiff of Rome, and the coinage of gold by any other authority was regarded as sacrilege. The true reason for this did not relate to production or plentifulness of gold, but to the hierarchical constitution of Pagan Rome, "which afterwards, with modifications, became the constitution of Christian Rome." That the mining and coinage of gold was a prerogative attached to the office of Sovereign Pontiff, was an article of the Roman constitution and of the Roman religion. The Roman Senate prohibited its exportation, and the taxes of the Byzantine empire were payable only in gold. An instance is even cited where one zealous emperor actually proclaimed war upon an unfortunate prince for presuming to pay his tribute in other than the gold coin required. This, then, was the marked distinction between the coinage of gold and that of silver. The former was exercised by the Imperial Treasury alone, which was organized as a sacred institution, and whose chief officer was invested with a sacred title, and its exercise was guarded as a sacred prerogative. The coinage of silver, on the other hand, was a secular prerogative, exercised by the Emperor as a secular monarch, and thrown open to subsidiary princes, nobles and cities of the empire. Long years afterwards, when Henry III of England received into his own hands the gold of which he had plundered the Jews, but consented to receive the silver by the hands of others, he was but carrying out the idea embodied in this sacred myth, whose influence has not even to this day entirely departed, for myths die hard.

The adoption of the system of pounds, shillings and pence the author traces to the Romans of the fourth century, when the three metals were coined together, and it was found necessary to give to the different coins some fixed relation to each other. During the fifth century the system spread through the entire Roman Empire, and prevailed wherever that empire had taken a firm hold. The fable that the system owes its origin to Charlemagne, the author treats with as little respect as he does that as to the Greeks being the inventors of money.

The evolution of the coinage prerogative in England and elsewhere, was the result of the breaking up of the Holy Roman

Empire after the great Interregnum of the thirteenth century. Up to this time the coinage of gold had been sacred to the Sovereign Pontiff of Rome, and was exercised by the Popes as his successors. But the split in the Roman Church which followed the Interregnum, when there was one Pope at Avignon and another at Rome, each claiming the spiritual allegiance of Christendom, ended forever the temporal sway of the Popes, and Edward III of England, with other sovereigns of Europe, began to issue their own gold coins. Money then became whatever the state declared to be money.

The introduction of private coinage, and its successor, the private issue of circulating notes by chartered banks, Mr. Del Mar traces to the rapacious followers of Mahomet, an ancestry the institution certainly has no cause to boast of. The Portuguese traders established private mints in India, and their Dutch, and subsequently English, conquerors, continued the policy. Charles II, of England, when pressed for money by his mistresses and parasites, one day bargained away the prerogative of coinage to the goldsmiths, of London, as he had bargained away so many of the liberties of his subjects. Thus was introduced into England and her colonies what Mr. Del Mar calls "that last of degradations, private coinage." The goldsmith class, which includes the managers of banks of issue, are, in the opinion of the author, less competent to understand and regulate the measure of value than are the representatives of the people! "The contention henceforth," he concludes, "may be not whether the symbols of money shall be made of one metal or two metals, but that the state, and not the money-changers, shall control its issues."

S. B. Woods

*The Industrial Services of the Railways* : EMORY R. JOHNSON,  
in the *Annals of the American Academy of Political and  
Social Science*.

IN the above we are afforded in moderately full outline the results of a thoughtful study of the question of the part the railroads have played in the revolution which during the present century has taken place in the organization of industry.

In order to best show the influence exerted by the railroads, Mr. Johnson first sets forth the essential characteristics of the economic changes which actually took place.

"The industrial revolution began in England about 1770, "and commenced a generation and a half later in the United States. Its characteristics in each country were very similar "and it had three pretty distinct phases." The first change that took place was the substitution of machinery for hand labor, necessitating the transfer of the laborers from their homes to the factories in which their work could be concentrated and supervised. The power first used in running machinery being water, it was a natural consequence that the larger proportion of the factories were situated beside the streams of water. The use of steam power later brought about the erection of factories near the beds which supplied the coal for the engines, or, in the cases of manufacturers of some kinds of goods, near the sources of the raw material. With this change came the transfer of industry, and to a certain extent of population, from the South and East of England to the North and West. In the state of Pennsylvania the iron manufacture was located first with reference to the supply of wood for fuel, then with respect to the location of the anthracite coal, and lastly to the location of bituminous coal from which the coke for the blast furnaces is made. Pittsburg owes its position as the greatest iron city in the United States to its proximity to the supply of bituminous coal and fuel oil, the ore of States as far distant as Wisconsin and Minnesota being taken there to be smelted, showing that proximity to the sources of fuel supply is regarded by manufacturers as a more important consideration than the question of the location of raw materials. The last and most recent phase of the industrial revolution, Mr. Johnson notes, has brought the industries to the cities, and manufacturing plants are now being established in the great centres of population because of the advantages to be derived from the condition of the labor supply and the greater facilities for marketing and distributing products. And this phase is attributable to the development of the railroad system, which has rendered the location of the fuel supply and the raw materials matters of secondary importance. Evidence of the greater advantages of facilities for transportation is found in the

fact that Philadelphia, the greatest manufacturing city in the United States, is situated on tide water instead of in the coal mining district of Pennsylvania. New York is also becoming an important manufacturing point. But the most notable instance bearing on the question is that of Chicago, where the development of manufacturing in the last few years has been very rapid. This is because the railways are able to carry the coal and other bulky materials so cheaply that the manufacturer finds it to his advantage to establish his factory where the best facilities are to be had for shipping and marketing his products. These conditions mostly exist at some point having an outlet by water, but, as instanced in the cases of Indianapolis and Atlanta, interior cities favored only by excellent railway facilities may become of great industrial importance.

Having considered the part played by the railroads in this great industrial revolution, Mr. Johnson proceeds to analyse the economic services performed by the railroads at present in order to discover how this method of transportation modifies and assists present industrial processes.

By bringing about the localization of industry the railroads have contributed largely to the lessening of expense in getting goods ready to distribute, it being no exaggeration, Mr. Johnson maintains, to say that they have done more than anything else to reduce the cost of the making of things. The important service they have rendered in this way is certainly not generally realized.

The value of their services, however, is of course most apparent in the matter of distribution. In this, its special function, it has accomplished two things :

(1) It has cheapened the expense of former services. How much is saved to industry by cheapening of transportation rates it is difficult to measure ; computations show that it would have cost the people of the United States eleven times as much to do the freight work done by the railroads during the year ending June, 1893, but inasmuch as various conditions in our present business organization owe their existence to the extension of the railroad system and could not be met by any method of transportation inferior to the railroad, little can be deduced from such a comparison. The decline in the freight

rate per ton mile received by the railroads of the United States from  $2\frac{1}{2}$  cents in 1869 to .878 cents in 1893, indicates the degree to which the expenses of production have been influenced by the railroads.

(2) The use of the railroad as a carrier has effected a saving in the expenses of production owing to the fact that this agent can perform services which would not be obtainable from other means of transportation. Quick transit for perishable goods, cheap rates for bulky raw materials, regularity and frequency of service, have combined to increase greatly the variety and volume of the commodities which circulate through the channels of trade, and this is the chief reason why a decline in the carrying rates stimulates and advances industry.

In addition to lessening the expenses of production and distribution, and consequently effecting a lowering of prices, the railways have brought about a comparative uniformity of prices throughout the world. They complete a most perfect mechanism for collecting and distributing products, and the maintenance of practically the same relation of supply to demand in all markets follows naturally.

Finally, Mr. Johnson urges that the railroads have exercised an influence on prices through assisting to make them more stable from year to year. The facilities for distributing from the centres of commerce account for the extent of the stores of food which are garnered into great warehouses and drawn upon from different parts of the world as needs arise. The existence of these stores prevents those oscillations of price between the seasons of harvest which are experienced in the case of products of the soil which, from their nature, can have only a local market, and of which consequently no large stocks are kept.

It is maintained then that the development of the railroads has lowered prices and made them more uniform and stable.

Having made this interesting analysis of the influence of the railroads for good, Mr. Johnson goes on to show the other side of the picture, and discusses the question of the extent to which railways have wielded their power so as to work injury to the business interests of individuals, of cities and of sections of the country, by discriminations to the more power-

ful shippers, etc., the case of the Standard Oil Company being dealt with at length. A great deal has been written, however, on this aspect of the subject, and we need not follow Mr. Johnson here, but we note his conclusions under this head :

"The conviction is at last growing that adherence to competition has not resulted satisfactorily. . . . The problem in transportation which the railways and the public alike are anxious to see satisfactorily and finally solved, is the problem of eliminating discriminations so completely that freight classifications and charges shall be so arranged that every shipper and every locality shall be justly treated at all times. . . . The economic advancement of the country does not demand a general lowering of rates, but greater equality and stability of charges."

*Gresham's Law.\** HENRY DUNNING MACLEOD.

IN an admirably concise statement of the principles of monetary science upon which monometallists rest their case, Mr. MacLeod gives an interesting account of the circumstances under which what is known as Gresham's law of the currency, was first enunciated. Subjoined are the paragraphs of the pamphlet dealing with this portion of the subject; they contain a good deal of information which has not been widely published :

"Charlemagne established the system of coinage which was adopted throughout Western Europe. He made the pound weight of silver the standard, and coined it into 240 pennies. For some centuries these were the only coins issued by the Sovereigns of France, and for a considerable time they coined these pennies at their full weight and fineness. But about the beginning of the twelfth century they began not only to diminish their weight, but to debase their purity. They considered it part of their inalienable divine right to declare that their subjects should accept the diminished and debased coin at the same value as the good coins of full weight. They further complicated matters by issuing gold coins, and they considered it as part of their divine right to change the rating of the coins with respect to each other as often as they pleased. These constant tamperings with the coin produced commotions and disturbances for centuries and drove away foreign trade from the country. At length that great sovereign, Charles V, surnamed the Wise, perceived that the only way to restore prosperity to the country was to reform the coinage. He referred the matter to one of his wisest and most trusted counsellors, Nicholas Oresme, afterwards Count Bishop of Lisieux, who, in answer to the appeal of his Sovereign, drew up in 1366, his now famous *Traictie de la première invention des Monnoies* in twenty-six chapters, which has only recently been brought to the notice of economists. After

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\* Pamphlet No. 9 of the Gold Standard Defence Association.



explaining the true nature and uses of money, he laid down the following principles :

- a. That the Sovereign has no right to diminish the weight, debase the purity, or change the denomination of the coin. To do so is robbery.
- b. That the Sovereign or the law can in no case fix the value, *i.e.*, the purchasing power of the coins. If he could do so, he could fix the value of all commodities.
- c. That the legal ratio of the coins must strictly conform to the relative market value of the metals.
- d. That if the fixed legal ratio of the coins differs from the natural, or market value of the metals, the coin which is underrated disappears entirely from circulation, and the coin which is overrated alone remains current.
- e. That if degraded and debased coin is allowed to circulate along with good and full-weighted coin, all the good coin disappears from circulation, and the base coin alone remains current, to the ruin of commerce.

" This great treatise, which may justly be said to stand at the head of modern economic literature, laid the foundations of monetary science. As it was written long before the days of printing, it never got into public circulation. It is merely a report addressed to Charles V. The same evils existed all through Europe, and were called *morbis numericus*.

" Poland, which then comprehended the modern Prussia, was, among other countries, afflicted with these evils. Sigismund I, King of Poland, who was fully sensible of the injury they inflicted upon the country, sought the advice of Copernicus, who was a member of the Prussian Diet. At the instance of Sigismund, Copernicus in 1526 drew up a masterly treatise on money, which he entitled *Ratio monetae cudenda*, which has only been discovered within the present century, and is included in the magnificent edition of his works printed at Warsaw in 1854. Copernicus had no knowledge of the treatise of Oresme, written 160 years before his time, but he came to exactly the same conclusions. He said :

- (a) That the four principal causes of the decadence of States are civil discord, pestilence, the barrenness of the land, and the debasement of the coin.
- (b) That it is impossible for the prince, or the law, to regulate the value of the coins, or of any other commodities.
- (c) That all the prince, or the law, can do, is to maintain the coin at a fixed denomination, weight and purity.
- (d) That it is robbery for the prince to change the denomination, diminish the weight, or debase the purity of the coin.
- (e) That it is impossible for good full-weighted coin and for degraded and debased coin to circulate together ; but that all the good coin is hoarded, or melted down, or exported, and the degraded and debased coin alone remains in circulation.
- (f) That the coins of gold and silver must bear the same ratio to each

other as the metals in bullion do in the market, and that this ratio must never be changed, except in consequence of a change in the market ratio of the metals.

- (g) That when good coins are issued from the mint, all the base and degraded coins must be withdrawn from circulation, or else all the good coins will disappear, to the ruin of commerce.
- (h) That it is impossible to have two measures of value in the same country, just as it is impossible to have two measures of length, or weight or capacity.

"The shameful state of the coinage in England caused so much public distress and gave rise to so many disturbances, that the council of Edward VI saw the necessity of reforming it, and had taken measures for that purpose when the boy-king died. No sooner had Elizabeth acceded to the throne than she turned her attention to complete the reform of the coinage which had been begun by her brother, being moved thereto by the illustrious Gresham, who was the first in this country to point out to her that good and bad coin cannot circulate together, but that the bad coin always drives the good coin out of circulation. The facts were only too familiar by the experience of centuries, but no one in this country had previously discerned the necessary relation between these facts before Gresham. He addressed a letter to the Queen explaining that the debasement of the coinage by Henry VIII was the cause of the disappearance of all the good coin. Thus for the first time in this country he showed that the two facts were necessarily related as cause and effect. In 1858 I suggested that this great fundamental law of the coinage should be known by the name of "Gresham's Law," and this has now been universally accepted. But at that time I was not aware that this great law had been demonstrated by Oresme 192 years, and by Copernicus 32 years previously, as their treatises were not published by my friend M. Wolowski for general circulation till 1864. Nor is there any reason to suppose that Gresham had any knowledge of these treatises, as they were merely memorials drawn up for the information of their respective Sovereigns, and were never published for general circulation. These three illustrious men were, therefore, independent discoverers, and the law ought, therefore, rightfully to be called the Law of Oresme, Copernicus and Gresham."

*Stamp Duties on Bills of Exchange all over the World.* By ALFRED KOLKENBECK. London: Effingham, Wilson & Co. 1s. net.

THE contents of this little publication are fully described by the title. A useful feature of the book is an index in which the countries where stamp duties are levied are distinguished from those where they are not. The United States and Canada are the chief countries in this latter category, and it is interesting to see that with them are numbered China, Egypt, Iceland, Norway, Persia, Siam, some of the South American States, and

a few dependencies of small importance. Australia, Belgium, Denmark, France, Germany, Great Britain, Russia, Spain, Sweden, Switzerland and other highly civilized communities still adhere to this tax on commerce.

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## CORRESPONDENCE

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*To The Editing Committee :*

SIR :—I notice that in this Province, American currency, which is taken at a discount of  $\frac{1}{4}$  of 1% by the banks, is gradually displacing bank notes and small legals as a circulating medium, and from information gathered from various parts of the island I estimate that it forms fully one-fourth of our circulation.

I presume other portions of the Dominion are affected in the same way, and it seems to me that concerted action should be taken at once by the banks and the Government to exclude from Canada as a circulating medium the currency of a foreign country, before the evil complained of grows worse.

If the circulation of American currency is prohibited to the public by section 60 of the Bank Act, it would appear that we simply need to put into effect our present laws to drive out of the country all forms of circulation except those authorized by Parliament, and I presume the Finance Department would take the matter up if requested to do so by the Bankers' Association.

I would like to see Mr. Lash's opinion whether under sections 51 and 60 of the Bank Act and section 3 of "An Act respecting the Currency" or any other portion of our laws, the use of American currency as a circulating medium could be stopped, and hear his suggestions as to the best means of putting the law into effect.

Yours truly,

J. PITBLADO

CHARLOTTETOWN, P. E. I., 23rd Nov., 1895

[ED. NOTE.—We scarcely think that the circulation of American paper currency can be termed an evil except from the standpoint of the banks, whose profits are affected thereby. The banks in Canada have as a rule acted in the past on the theory that the only way in which to prevent the circulation of American currency is to accept it at par and ship it out of the country, and the information as to the experience in Prince Edward Island afforded by our

correspondent—which we note with much interest—would seem to show that this theory is sound.

Regarding the points raised in the concluding paragraph of the letter, we are indebted to Mr. Lash for the following expression of opinion :

"Section 51 of the Bank Act, which authorizes a bank to issue and re-issue notes intended for circulation, is clearly confined to its own notes. Section 60, which imposes a penalty upon every person except a bank who issues or re-issues any note or other instrument intended to circulate as money, is also confined to notes or other instruments on which the person issuing or re-issuing them is liable. The word "re-issue" in both sections refers to the second or subsequent issue of a note or other instrument previously issued by the same bank or person. Section 64 expressly authorizes a bank to deal in bills of exchange, promissory notes and other negotiable securities, and to engage in and carry on such business generally as appertains to the business of banking. American currency notes are promissory notes 'or other negotiable instruments' within the meaning of section 64, and to deal in them would also come within the term of 'such business generally as appertains to the business of banking.' Section 3 of An Act respecting the Currency, being Chapter 30 of the Revised Statutes of Canada, declares that no Dominion note or bank note payable in any other currency than the currency of Canada shall be issued or re-issued by the Government of Canada or by any bank. The words 'issue or re-issue' here have the same meaning as the same words in sections 51 and 60 of the Bank Act, and could not be used to make unlawful the dealing by banks in American currency, which is made lawful by section 64 of the Bank Act."

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## QUESTIONS ON POINTS OF PRACTICAL INTEREST

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THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

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The questions received since the last issue of the *JOURNAL* are appended, together with the answers of the Committee :

### *Identification of the Payee of a Cheque*

QUESTION 17.—A cheque for \$100 drawn by John Smith, of Ottawa, payable to his own order, is presented by him at a bank for payment. Although not personally known at the bank, yet the bank know that John Smith, of Ottawa, is worth thous-

ands of dollars. Mr. Smith is informed that the bank will cash his cheque provided he can be identified by some one known at the bank. He returns with Mr. Jones, of Hamilton, a well-known business man, who states that he knows John Smith, of Ottawa, and that he is possessed of considerable means, and then Mr. Jones writes under Mr. Smith's endorsement the words, "Identified by Thos. Jones." The bank cashes the cheque, forwards it to Ottawa, from whence it is returned unpaid, and it turns out that the drawer was not the wealthy John Smith, of Ottawa, and that Mr. Jones was mistaken, there being several John Smiths, of Ottawa. Can the bank, having paid the cheque on Mr. Jones' identification of Mr. Smith, recover from Mr. Jones?

ANSWER.—Under the circumstances mentioned, Mr. Jones was not, we think, liable to the bank in any way, unless his act was fraudulent. If he believed the John Smith, whom he introduced to be the wealthy Ottawa man of that name, and in good faith made that representation to the bank, thereby inducing the bank to cash the cheque, he would clearly not be liable. The point is very fully discussed in *Derry v. Peek* before the House of Lords,\* where these propositions are stated by Lord Herschell: First, in order to sustain an action in such a case there must be proof of fraud and nothing short of that will suffice. Second, fraud is proved when it is shown that a false representation has been made, (1) knowingly, or (2) without belief in its truth, or (3) recklessly, careless whether it be true or false.

### *Irregular Endorsement on a Marked Cheque*

QUESTION 18.—A sight draft on one of our customers, accepted by him payable at our office, is presented when due and marked good. When it comes in from the bank holding it next morning, we find that it is payable to "M—— Hotel Co'y," and endorsed (presumably on behalf of the hotel company) "J. S——", but without anything to show that the signature is so intended. (1) Have we a right to send back the item as being improperly endorsed? (2) If so, what is the position of the bank holding it? They cannot protest, as the bill is a day overdue. The bill had passed through the hands of another bank before coming into their hands. (3) Should we take any notice of the instructions of our customer not to pay it on such an endorsement?

ANSWER.—(1) You have a right to refuse payment of the bill unless properly endorsed, and such an endorsement as you

\* THE LAW REPORTS, *Appeal Cases*, Vol. 14, 1889.

describe is not sufficient. (2) The holder to whom you return the bill need not protest it to protect himself. It is not a case where the bill is dishonored for non-payment, but where the acceptor has in effect given the undertaking of his bank that the item will be duly paid, when presented with the proper endorsement. The holder should send it back to the bank from which it was received, and the latter is bound to return the money, if any, which it has received for the item. The rights of the parties are on a line with those discussed in the replies to questions 14 and 15 in our last number. If the bank has received value for the item to which its title is disputed, it must establish the title, or return the money. (3) We do not think your customers have any right to object to your paying the item. If you pay on an endorsement to which they object, their only remedy would be to sue you, and in course of the proceedings establish the fact that you had not paid the money to the proper party. If they did this, the bank to which you paid it would have to reimburse you.

*Cheque Presented by Payee, who is a Debtor of the Bank*

QUESTION 19.—The payee of a cheque drawn to order endorses it and presents for payment. Can the banker rightfully apply the funds upon an overdue note he holds of payee's?

What if payee claims that funds for cheque are not his own?

Would the drawer have any grounds for objecting, or legal remedy against the banker for so treating his cheque.

ANSWER.—In our October number we replied to the first portion of the above question, under the advice of counsel, and undertook to deal with the remaining clause later on. This we now do.

The right of the drawer of a cheque having funds at his credit, is to have the bank pay his cheque on presentation, and should the bank refuse to do so without proper excuse, the drawer would have grounds for action against the bank, and would be entitled to recover substantial damages to be assessed by a jury, without proving actual damage as the result of the refusal to pay the cheque. If what took place between the bank and the payee of the cheque amounted to a refusal of payment, we think the drawer could complain and that the bank would be liable for damages for this refusal. Whether the bank refused or did not refuse to pay the cheque, would be a question of fact to be decided upon on the circumstances.

With reference to the position of the payee as against the drawer of the cheque, the decisions are reasonably clear. *Prima facie* the cheque is not given nor accepted as payment of a debt. It is a mere order on the bank to pay, and if not

honored the debt remains, and the payee can sue the drawer for it. But there is of course nothing to prevent the drawer and the payee agreeing that the cheque should be taken as payment, and if it were so taken the debt would be discharged, and in such a case if the cheque should be dishonored, the payee's remedy is upon the cheque only and not upon the debt. If the bank refused to pay the cheque and if there were no agreement that it was accepted in payment of the debt, then the payee could sue the drawer of the cheque for the debt.

Such a state of facts could be imagined which would amount to payment of the cheque so far as the drawer is concerned, and which would entitle the bank to retain the money and set it off as against the debt owing to it by the payee; for instance, if the teller actually counted out the money and told the payee that it was the money for the cheque, and if the payee assented to this appropriation. But for practical purposes the inference which would no doubt be drawn by a court or jury in nine cases out of ten would be that the payee had not assented to the appropriation and that payment of the cheque had in effect been refused.

### *Married Women's Separate Estate*

QUESTION 20.—Does a married woman who has separate estate render that estate liable when she signs a note with her husband, or has she to sign another paper showing she intended to make her separate estate liable by her signature? (2) Does a married woman's name with that of her husband to a joint note, secure her dower to the bank discounting the note?

ANSWER.—(1) We are advised that no special declaration on the part of a married woman, that she intends to bind her separate estate, is necessary to make her undertaking binding thereon. If she has, as a matter of fact, separate estate at the time she signs a note, then her signature, either with her husband or in any other connection, binds it. (2) The legal questions affecting separate estate of married women and their dower rights in their husband's lands, are among the most intricate and difficult, and upon them judges and lawyers are constantly differing. We find ourselves unable, therefore, to give a satisfactory reply to this query. It would probably be held that an inchoate right to dower in her husband's lands would not be separate estate sufficient to make the promise of a married woman enforceable if she had nothing else. The above refers only to the law in the Province of Ontario.

### *Limited Liability Companies*

QUESTION 21.—(1) Why are limited companies not required to publish a list of shareholders and to afford infor-

mation as to their subscribed and paid-up capital, the directors authorized to sign, etc.? This information is necessary as a basis for granting credit. (2) Are limited companies registered in any public office? \*

ANSWER.—We think that most companies incorporated in Canada are bound to make an annual return to one or other department of the Government, covering a list of their shareholders and a statement of their assets and liabilities. There is no doubt, however, that the principle has not been as fully recognized in legislation as it should be. In our opinion all joint-stock companies should be bound to furnish information very much in the same lines as banks have to send to the Finance Department at Ottawa. Our correspondent asks why they are not, to which we presume the only answer is that public opinion has not thus far pressed sufficiently strong for it. As regards signing officers, we do not know any way in which the public can be protected except by taking the ordinary precautions, when they are asked to give credit, of making sure they are dealing with the proper officers of the company.

### *Banking Hours*

QUESTION 22.—Is it optional with a bank to close at 1 o'clock on any other day than Saturday, in lieu of the latter day? Do not the provisions of the Bills of Exchange Act respecting the hours at which bills may be protested impose a duty on the banks as to the hour up to which they must keep open?

ANSWER.—Were it not for the peculiar relationship between a bank and its customers, whereby it undertakes to make payments on their account out of the moneys in its hands on presentation of cheques, it might be said that a bank is free to close its doors at any hour that it may choose, but the fulfilment of this undertaking doubtless requires that a bank should be open at the usual hours unless it give reasonable notice to the contrary. But such notice having been given, we think it is clear that a bank may arrange to close on any day of the week at 1 o'clock, and we know that it is not an uncommon practice in the old country for banks to have their offices in small places open only on a certain day or certain days of the week.

As regards the Bills of Exchange Act, this has no bearing on the matter except so far as the hours fixed for the protesting of notes may be taken as indicating what is recognized to be the

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\* Our correspondent makes enquiries on a couple of other points upon which we are not informed.—ED. COMMITTEE.



general practice as to the hours for keeping open. The Act, however, so far as this point is concerned, only refers to the hour before which a note cannot be protested—*i.e.*, 3 o'clock, and that this does not affect banks directly is quite plain. Banks usually close at 3, and although the practice of admitting notaries after 3 is a very general one, we do not think that if the notary found the office locked and protested a bill for non-payment, the bank would be under any responsibility in the matter. The most that could be said is that they had impliedly undertaken to be open till 3 o'clock on certain days of the week to make payments on behalf of their customers.

*Liability of Endorsers to Drawee of a Cheque.*

QUESTION 23.—With reference to the reply to question 14, as to the right of a bank that has paid a cheque to a party with a defective title, to recover the amount from him, are not the prior endorsers on the cheque under the same liability to the bank? Suppose the cheque had been paid to another bank which afterwards was wound up, could not the bank that paid the cheque look to the endorser from whom the defunct bank had received it?

ANSWER.—We think this is doubtful. The prior endorsers had nothing to do with getting the money from the bank on which the cheque was drawn, and we do not see how the latter could have any right of action against them. The courts are, however, giving more and more weight to the essential equities between parties, and there is a possibility that they might order the prior endorser in such a case to be made a defendant.

*Antedated Acceptance.*

QUESTION 24.—Has the drawee of a bill payable at or after sight the right to antedate his acceptance, and if he does so, can the holder treat the bill as dishonored and protest it?

ANSWER.—We do not think there is any room for doubt on this point. An acceptance is qualified and discharges the prior parties, if it varies the effect of the bill as drawn. An order to pay at sight or at a given number of days after sight, would not, it seems to us, be complied with if the acceptor undertook to pay the amount at some other time, and we think the holder should refuse such an acceptance. If it were proper for a drawee to antedate his acceptance a single day, there is no logical reason why he should not antedate it a month or two months, and in the case of a draft drawn say at 60 days after sight, he might make the acceptance mature immediately—a most decided variation of the terms of the bill.

## LEGAL DECISIONS AFFECTING BANKERS

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### NOTES

*Securities Held by Banks for Safe-keeping.*—The question of the liability of banks in connection with valuables lodged with them for safe-keeping is discussed in an interesting manner editorially in the *Solicitors' Journal* (London) of 28th September last. A perusal of the article will be found instructive, and we feel warranted in quoting at length :

“The theft of Mrs. Langtry's jewels by means of a forged delivery order presented to the branch of the Union Bank where they had been deposited, has naturally raised a good deal of speculation as to the liability of the bank. The facts of the particular case are not sufficiently known to form any precise opinion on the matter, and any such expression of opinion in these columns would be out of place. But the general question of law is one both of interest and importance.

“The liability of depositaries has been a frequent subject of discussion ever since Lord Holt in *Coggs v. Bernard* overruled *Southcote's case*. In the latter case it was decided that the depositary held the goods at his own risk, and was liable to account for their value to the depositor, although he had lost them by robbery. Hence Lord Coke added to his report the advice that a man taking any goods to keep should take them on special terms, as that he should keep them only as he kept his own goods, or that, if they should happen to be stolen, he should not be answerable for them; otherwise he might be charged to the full extent by his general acceptance. The reason of the rule has been traced to the doctrine that the depositary, like other bailees, being the possessor of the goods, was originally the only person who could sue the thief, and, since the remedy was thus vested in him, he had to answer over to the depositor. But this was a reason which would not bear investigation in later times, and in *Coggs v. Bernard* (*suprà*) Lord Holt delivered his famous judgment distinguishing between the various forms of bailment, and assigning to the bailee in each his proper degree of liability.

“It is unnecessary to mention here the six bailments to which Lord Holt gave separate treatment. Subsequently the matter has been simplified by dividing them into three classes—(1)

bailments for the benefit of the bailor exclusively, of which custody without reward—the ordinary ‘deposit’—is an example; (2) bailments for the benefit of the bailee exclusively, of which a borrowing seems to be the only instance; and (3) bailments for the benefit of both the bailor and the bailee, as a hiring, or the custody of goods for reward. In each of these classes of bailment a separate degree of liability was, by Lord Holt’s judgment, assigned to the bailee. The matter may be stated either positively, by specifying the degree of diligence which the bailee must use, or, negatively, by specifying the degree of negligence for which he will be held liable. Thus, in deposit, where he reaps no benefit, he is bound to slight diligence, and is liable only for extraordinary or ‘gross’ neglect; in borrowing, where he reaps all the benefit, he is bound to the strictest diligence, and is liable for even a slight neglect; in custody for reward, where he shares the benefit of the transaction with the bailor, he must use ordinary diligence—the diligence of the average man in the conduct of his own affairs—and is liable for ordinary neglect.

“The scheme is neat and symmetrical; it purports to adjust the strictness of the law with careful nicety to the circumstances of each particular case, and there are indications in the authorities subsequent to *Coggs v. Bernard* of attempts to apply it in practice. On the other hand, the distinction between the three degrees of negligence has been found to be no easy matter, and doubt has been thrown upon it. This doubt was emphatically expressed by Rolph, B., in *Wilson v. Brett*, when he said that he could see no difference between negligence and gross negligence. It was the same thing ‘with the addition of a vituperative epithet.’ Putting this aside, however, for the moment, we may see how the general principles of liability apply to the case of deposit for safe custody at a bank.

“According to Lord Holt’s scheme, the bank, when the deposit is gratuitous, should be bound to exercise only slight diligence, and should not be liable save in the event of loss through extreme carelessness, but this cannot be accepted as a correct statement of the law, at any rate without further explanation. The leading case on the subject is *Giblin v. McMullen*, an appeal to the Privy Council from the Supreme Court of Victoria. The plaintiff and appellant was a customer of the Union Bank of Australia, who were represented by the respondent, one of their officers. From the earliest period of his becoming a customer, the plaintiff had placed in the care of the bank a box, of which he kept the key, containing securities and deeds. Among the securities were certain railway debentures. The bank received no consideration for taking care of the deposits of their customers. The box was kept, together with the boxes of other

customers and the bank's own securities, in a strong-room underground. Access to this room could only be obtained by passing through a compartment partitioned off from the clerks' office. The cashier sat in this compartment during bank hours, and a messenger slept there at night. The strong-room was approached by a wooden door and two iron doors. The cashier always kept the key of the wooden door, and during the day he also had the keys of the iron doors; but at night he had the key of only one of the iron doors, the key of the other being in the charge of another officer of the bank. The customers had access to their boxes during bank hours, but always in the presence of a bank clerk. The plaintiff was in the habit of going to his box from time to time to take the coupons from his debentures, and the coupons were thereupon handed to the cashier for collection. Between two of these visits the cashier stole the debentures and absconded, but the date and manner of the theft could not be ascertained. Previously to his absconding he had possessed a good character.

"At the trial the judge refused to non-suit at the end of the plaintiff's evidence, and, the case being left to the jury, they found a verdict for the plaintiff, assessing the damages at £10,450. Upon appeal it was argued that there was no evidence to support the verdict, and the Supreme Court of Victoria so held and directed a non-suit to be entered. The plaintiff then appealed to the Privy Council. The judgment of this tribunal, which was delivered by Lord Chelmsford, seems to sanction the notion that between ordinary and gross negligence there is no practical distinction. The term 'gross negligence,' it was said, may usefully be retained as descriptive of the negligence for which gratuitous bailees are responsible, but when that negligence came to be defined there was no attempt to distinguish it from ordinary negligence, or negligence without the vituperative addition. 'It is clear,' said Lord Chelmsford, 'according to the authorities, that the bank in this case were not bound to more than ordinary care of the deposit intrusted to them, and that the negligence for which alone they could be made liable would have been the want of that ordinary diligence which men of common prudence generally exercise about their own affairs.' It is, of course, possible to style the want of ordinary diligence 'gross negligence,' but then there is no place left for ordinary negligence, and Lord Holt's system of degrees of negligence breaks down.

"The phrase 'gross negligence' occurs also in the American case of *Foster v. The Essex Bank*, quoted with approval in *Giblin v. McMullen* (*suprà*). There also property deposited with a bank had been stolen by officers of the bank who had previously sustained a fair reputation. The bank, it was said

by the court, was, as a depositary without reward, answerable only for gross negligence or for fraud which would make a bailee of any character answerable, and no such negligence appeared in the case, since the same care was taken of the plaintiff's property as of other deposits and of the property belonging to the bank itself. Perhaps this consideration is not conclusive, but the judgment shows that in the opinion of the court a strong case of negligence must be made against the bank to fix it with liability.

On the other hand, in *Re United Service Co., Johnston's Claim*, where a bank was a depositary for reward, this circumstance was held to distinguish the case from *Giblin v. McMullen*, though as the bank was also found to have been guilty of 'gross neglect,' the distinction was hardly wanted. Certificates of shares deposited with the bank had been placed in a safe under the uncontrolled and unwatched power of the manager, who fraudulently sold them. If this was gross neglect on the part of the bank, the bank would have been liable as a depositary without reward, and still more, of course, as a depositary for reward.

"Upon the whole it may be doubted whether the distinction between the three degrees of negligence does for practical purposes exist. Apparently there is a distinction in liability according as a bailment is gratuitous or for reward, and since even a bailee without reward is bound, according to the judgment of the Privy Council, to exercise the diligence of the average prudent man, it is still a greater degree of diligence that the bailee for reward must exercise. In other words, a bank which takes property on deposit without reward must take such precautions for its security as are ordinarily taken for the security of property under the control of banks; while, if the deposit is for reward, the depositor is entitled to expect additional precautions. The particular case of the delivery out of the property deposited upon a forged order does not seem to have been discussed; but since banks are accustomed to act upon the written orders of their customers, it does not seem that they can be liable—at any rate in the case of a gratuitous deposit—if the signature was properly examined, and if there was nothing to raise doubt as to its genuineness."

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In the cases of *Molsons Bank v. Cooper* and *Bridgewater Cheese Factory v. Murphy*, the judgments are of considerable moment to bankers. We understand that both cases are being further appealed, and meantime we refrain from comment. The final judgment in the first mentioned case will be looked for with great interest.

## QUEEN'S BENCH DIVISION, ENGLAND

## The London and Yorkshire Bank Ltd. vs. White\*

Equitable assignment of goods as security for a debt.

This was an interpleader issue, before Lord Russell of Killowen, C.J., to try the title to the proceeds of the sale of certain goods.

The London and Yorkshire Bank permitted an overdraft by the firm of B. Fawcett & Co., the business of which was carried on by Frank Fawcett. The condition of the account becoming unsatisfactory to the Bank, the manager was directed to have the amount of the overdraft reduced or else to obtain security. On 6th or 7th Dec., 1893, the manager interviewed F. Fawcett and the latter agreed to assign to the Bank as security the firm's interest in certain books and goods which had been sent to Messrs. Gibbings & Co. for sale. A document, showing the estimated value of the goods, was sent by Fawcett to the Bank manager, and, at the latter's request, Fawcett prepared a notice to Messrs. Gibbings & Co., which was as follows, and was sent to them by the bank :

"To Messrs. Gibbings and Co. (Limited).—Please note that we have assigned our interest in the goods as per this invoice to the London and Yorkshire Bank (Limited), Driffield, to whom you will pay over proceeds of sales from time to time, rendering statement to us. (Signed) B. Fawcett and Co."

This document was dated Dec. 9th, 1893. On March 10th, 1894, Messrs. Gibbings and Co.'s solicitors wrote the plaintiffs that B. Fawcett and Co. laid claim to the proceeds of the goods in their hands, alleging that no assignment existed. Under those circumstances Messrs. Gibbings and Co. took out an interpleader summons to try the title to the proceeds of the goods as between the plaintiffs and the defendant, the receiver appointed by the Court of Chancery of the estate of Benjamin Fawcett.

The Lord Chief Justice in giving judgment said he had first to observe on the view he took of the facts that the transaction on Dec. 6 or 7 was effective as between the plaintiffs and F. Fawcett as an equitable assignment by way of

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\*From the fuller report in THE TIMES LAW REPORTS.

security of the goods in the hands of Gibbings and Co., and that, as between the plaintiffs and Fawcett, notice to Gibbings and Co. was not necessary, although notice was prudent and proper in view of an assignee for value without notice or in the event of the bankruptcy of F. Fawcett. It was said the document of Dec. 9th was an assurance or authority to receive possession of the goods. As regarded that argument he took the law to be correctly laid down in *Newlove v. Shrewsbury*. In this case the right to possess the goods could be proved without reference to any documents. The right to possess the goods was complete before the assignment. It was said parol evidence could not be given, and reference must be made to the document itself. The document was not an agreement between the parties, but a notification that the goods had been assigned to the bank. It was not intended that the bank should have physical possession of the goods. Could the document be said to come within the Bills of Sale Acts? Not so if he was right in his view of the facts. The Bank could have given notice to Gibbings and Co. without reference to the document of Dec. 9; more, the document did not contemplate change of possession and was not an authority to take possession of personal chattels. If that right existed it took place on Dec. 6 or 7. It was very clear that the transaction was not within the spirit or mischief guarded against by the Bills of Sale Acts. He had to recollect that those Acts were directed against documents and not transactions. In the view he took, he thought he had acted in accordance with the law in *ex parte Close* and *ex parte Hubbard*. He therefore gave judgment for the plaintiffs, with costs.

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#### The Ecclesiastical Commissioners for England vs. The Royal Exchange Assurance Corporation\*

Where a conveyance of property is completed without a transfer of the existing insurance, and loss by fire ensues, no legal claim exists under the policy.

This was an action to recover a loss under a policy of insurance upon a farm house. The policy had been issued to the Dean and Chapter of the Cathedral Church of Canterbury at a time when the property stood in their name.

The Ecclesiastical Commission Act, of 1868, empowers the Commissioners to lay before Her Majesty in Council schemes for effecting (*inter alia*) the transfer to the Commissioners of property of the Dean and Chapter, for such considerations as

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\*From the fuller report in THE TIMES LAW REPORTS.

they considered proper, and it provides that after the publication of an Order-in-Council ratifying any such scheme, and without any further conveyance, the property expressed to be transferred shall vest in the transferees. In conformity with this Act, on 7th Aug., 1894, an Order-in-Council was made ratifying a scheme by which land, including the farm in question, was transferred from the Dean and Chapter to the Commissioners, no provision being included in the scheme, however, for a transfer of the insurance. The Order-in-Council was gazetted on 17th Aug., 1894, effectually completing the conveyance of the property, and on 19th Aug. the farm house was destroyed by fire. The insurance company refused to pay a claim under the policy, and this suit was brought.

Mr. Justice Charles, in giving judgment, said :

Reading sections 3 and 6 of the Ecclesiastical Commission Act, 1868, it is clear there was a transfer without any further conveyance from the Dean and Chapter to the Ecclesiastical Commissioners, and, also without any further conveyance, a transfer from the Ecclesiastical Commissioners of property (which I am told was tithes) by way of consideration. The whole transaction was complete. Can anybody sue? The Commissioners cannot sue because there has been no assignment of the policy to them. Can the vendors, the Dean and Chapter, sue? It is suggested that they can, but it is quite clear on reference to the cases of *Collingridge v. Royal Exchange Assurance Corporation* and *Rayner v. Preston*, that the reason why it was held in the former case that Collingridge could sue was that there had been no conveyance and no money paid by the purchaser. In this case the vendors have conveyed away their property and received their consideration, and it is not at all analogous to the Collingridge case. I must therefore give judgment for the defendants, with costs.

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#### SUPREME COURT, CANADA

J. B. Rolland and others, Appellants. La Caisse d' Economie, Respondent

Where a Savings Bank advanced money on certain securities upon which they were not authorized by law to lend, it was held that this did not invalidate their claim upon the borrower's estate, as against his creditors.

The material facts here are as follows :

In February, 1891, one J. A. Langlais borrowed from La Caisse d' Economie sums of money aggregating \$82,500, on the



security of documents described as Letters of Credit signed by the Provincial Secretary and the Prime Minister of Quebec respectively. Langlais assigned without having made repayment of any portion of these advances.

Langlais' estate having been disposed of, the Curator prepared a dividend sheet for the purpose of distributing the moneys realized, and on this sheet the bank was collocated for the amount of its claim, *i.e.*, for \$87,504.76. The claim was contested by the Curator, but the contestation, which was tried before the Superior Court at Quebec, was dismissed. From this judgment an appeal was taken by Mr. Rolland, a creditor and the appellant herein, and the Court of Queen's Bench allowed the appeal in part, holding that the bank was entitled to rank for the amount of the loans, but that it was not entitled to interest thereon. From this judgment both sides appealed to the Supreme Court.

The Caisse d'Economie is a savings bank, governed at the time the transactions were entered into by the provisions of Chapter 122 of the Revised Statutes of Canada. Section 20 of this statute provides that the Bank may lend its moneys to individuals or corporations if collateral securities of a nature specified in the statute are taken, and the ground upon which the claim was contested was that the Letters of Credit not being such a security the loans were *ultra vires* of the bank and the estate was therefore not liable to pay it.

The Supreme Court gave judgment establishing the right of La Caisse d'Economie to rank for the principal and interest of its advances. The following are extracts from the judgment, which was delivered by Taschereau, J. :

The principal appeal must fail. I would have dismissed it at the hearing, without calling on the respondent. Such an attempt to plunder this bank in the name of public order and public policy, such a self-constituted championship of public interests in order to defeat a legitimate claim, cannot receive the countenance of a court of justice. The appellants' contention that Langlais received no legal consideration for his undertaking to pay the bank the sum of \$82,500, with interest, is to me an astonishing one.

Was not the good legal coin to that amount (less discount) advanced to him by the bank, a consideration? And a most valid and substantial one? . . .

Assuming that the bank had not the power to lend him that money, did not Langlais, nevertheless, receive, as a matter of fact, a good and valid consideration for his promise to pay both capital and interest ?

Can he say that he gave his note without consideration, or for an illegal consideration ?

Is it not the converse, and he, or the appellants for him, who want to pocket over \$82,000 of the bank's funds, without ever having given any consideration for it to the bank ?

He gave his note for value received. Did he not receive this value ? Is there anything illegal in his promise to pay it back ? The illegality, it is plain, would be the other way ; he would, if the appellants' contentions prevailed, have got richer by \$82,500 to the clear detriment of the bank.

Then there is no direct prohibition in the statutory provision affecting this case, as there was in *Bank of Toronto v. Perkins* ; and nullities of the nature of those in question in that case must be restricted to the narrowest limits. But, say the appellants, the statute does not empower the bank to effect loans on the pledge of such securities as those taken from Langlais, and consequently it acted *ultra vires* in the matter.

But assuming this to be so, that might perhaps affect the pledge as regards third parties interested in the securities pledged, but it does not bear in the least upon Langlais' contract to pay ; and the appellants cannot avail themselves of it to repudiate Langlais' liability towards the bank.

The contract of loan and the contract of pledge, are so far reciprocally independent that one may stand and the other fall. They are separable contracts. . . .

It is an incontrovertible proposition that no private individual has the right to institute legal proceedings against a corporation, on account of *ultra vires* acts of the said corporation, however great the detriment caused by these acts to the public or to others than himself, unless he has, himself, been personally damnified.

Now, as a general rule, what cannot be used as a weapon cannot be resorted to as a shield, and any one who has incurred liabilities under an executed contract with a corporation, of which he has got the benefit, cannot get rid of his liabilities on the sole ground that the corporation acted in the matter beyond its powers, though within the purposes for which it was created, unless he has a legitimate interest to do so, or has suffered, or is exposed to suffer, from the alleged infringement of the corporation's charter.

And here not only has Langlais not suffered any prejudice or been damnified in any way by the act of the bank, but it is to damnify the bank and burden it with the loss of over

\$80,000 that, in the name of public order and public interests, he, or the appellants for him, impugn his dealing with the bank as *ultra vires*, in order to repudiate his promise to pay, after having had the full benefit of the contract. A more flagrant misapplication of the doctrine of *ultra vires*, it is hardly possible to conceive. If the bank had lent this money to Langlais without any security whatever, the appellants would contend, forsooth, that Langlais was not bound to repay it, because the bank is not authorized to lend without security; they would contend that a party can go to a bank, get his note discounted, and at maturity refuse to pay it on the ground that the bank had no authority to advance him that money, and had acted beyond its statutory powers in doing so. . . .

And it is not merely the contract of loan that Langlais, and the appellants for him, are precluded from impugning. The pledge itself of these securities, likewise, they cannot be admitted to assail. For Langlais is, in law, the warrantor of the bank upon this contract of pledge; a pledge implies a warranty from the pledger, and even if these securities had not belonged to Langlais, yet this pledge would have been perfectly valid as between him and the bank. . . .

Langlais' insolvency has substituted the creditors to all his rights, but they must, with his rights, bear the burden of his liabilities. They are seized with his estate, but *cum onere*. That estate is the common pledge of what is due to the bank by Langlais, as it is of what is due to themselves; they are on an equal footing.

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#### COURT OF APPEAL, ONTARIO

##### Duthie vs. Essery et al.

Where a promissory note payable to a named payee is endorsed by another person before delivery of the note to the payee, the former is liable as endorser to a holder in due course by virtue of sections 56 and 88 of the Bills of Exchange Act.

This was an appeal by the plaintiff from the judgment of His Honour Judge MacDougall in the County Court of York.

The facts are sufficiently indicated for our purposes in the judgment of MacLennan, J. A., following, the Court of Appeal being unanimous in allowing the appeal:

The notes sued on were made by the defendant Essery, payable to the order of a firm of George Duthie & Sons. They were then endorsed by the respondent, the defendant Keith, in blank, and were delivered to the payees by the maker for

valuable consideration. The payees then endorsed them for value to the plaintiff, the endorsement of the payees being written beneath the signature of the respondent Keith. The notes were duly presented at maturity, and dishonored, and notice of dishonor was given in due course to the respondent. The respondent Essery allowed judgment to go by default, and the defendant Keith set up two defences, first, that he had endorsed without value, not for the accommodation of the maker, but for that of the payees; and, secondly, that having regard to the form of the instrument and the position of his name thereon, he could not be held liable at all. The learned County Court Judge dismissed the action, and the plaintiff appealed. The first ground of defence was given up before us, and the respondent relied upon the second ground alone. It was not disputed that the respondent was well aware, when he endorsed the notes, that they were made by Essery for value as between him and the payees, and in fact they were made by Essery and endorsed by the respondent by way of renewal of other notes of exactly similar form, given to and held by the payees for value.

I am of opinion that the case is governed by section 56 of the Bills of Exchange Act, and that our judgment must be for the plaintiff.

The section referred to enacts that "where a person signs a bill otherwise than as a drawer or acceptor, he thereby incurs the liability of an endorser to a holder in due course, and is subject to all the provisions of this Act respecting endorsers." The section is in terms applicable only to bills, but by section 88, subject to certain provisions not here pertinent, the provisions of the act relating to bills of exchange are made applicable with the necessary modifications to promissory notes, and it is declared that for that purpose the maker of a note shall be deemed to correspond with the acceptor of a bill, and the first endorser of a note shall correspond with the drawer of an accepted bill payable to the drawer's order. Therefore when we wish to apply section 56 to a promissory note, such as that in question, we must read it thus: "Where a person signs a note otherwise than as a maker or payee," etc., for according to the terms of these notes the first endorser must be the payee. The defendant certainly did not sign either as maker or payee, and therefore by force of the statute, having signed it, he incurred the liability of an endorser to a holder in due course. It is clear that the plaintiff is a holder in due course, and the notes having been presented, and notice of dishonor having been given, the defendant is liable.

## CHANCERY DIVISION, ONTARIO

## Bridgewater Cheese Factory Co. vs. Murphy\*

Where a banker in good faith discounted a note purporting to be given by a company, placing the proceeds to the credit of their account in his books, the amount being afterwards paid out to meet the liabilities of the company, it was held that the banker had a right to charge back the note to the company's account, or, if the company repudiated liability for the note, to strike the credit entry from the account.

The facts in this case, as set out in the judgment of Street, J., before whom the case was first tried, are as follows :

The plaintiffs are a company incorporated under the Ontario Statute, 51 Vict. ch. 24.

Their by-laws produced enact that the affairs of the company shall be managed by the president and a board of four directors. One Sexsmith was appointed president, and he also acted as treasurer of the company, and kept an account with the defendants, who are private bankers, headed in their books : " E. Sexsmith, President, Bridgewater Cheese Factory," upon which he was in the habit of issuing cheques signed " E. Sexsmith, president." On December 12th, 1892, this account was overdrawn to the amount of \$57.82, and on that day Sexsmith made a note for \$1,600 in favor of the defendants, which he signed, " E. Sexsmith, president," and to which he attached the seal of the company. This note the defendants discounted, placing the proceeds to the credit of the account. Of the proceeds of this discount, \$1,343.76 was paid out by cheques drawn on the account by Sexsmith to various persons who were creditors of the company, and the balance went to cover overdrawn account with the defendants and another similar bank account. At the time it was discounted, and at the time these moneys were paid out, Sexsmith was a defaulter to the company in an amount much exceeding the amount of the note. The note was made without the knowledge or authority of the directors of the company, who were also unaware of the fact that Sexsmith was a defaulter ; but they were aware of the fact that this bank account was kept by Sexsmith in his own name as president, and that he issued cheques upon it in his own name as president. The deposits in this account were solely of moneys derived by Sexsmith from the sale of the company's cheese ; and the cheques

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\*From the fuller report in the ONTARIO REPORTS.

upon it were solely in payment of claims against the company, and these facts were known to the defendants. The \$1,600 note was renewed, and was then again renewed for \$1,611, and was on June 19th, 1893, charged up by the defendants to the bank account above mentioned at its maturity, without any authority from the directors of the company. Sexsmith absconded about December 6th, 1893. The effect of charging the note to the bank account on June 19th, 1893, was to overdraw it to the extent of \$1,200.99; but this overdraft was covered and converted into a credit balance by two deposits made in July of money received by Sexsmith during that month from sales of cheese. This was afterwards converted into a debit balance or overdrawn account of \$110.94 by cheques drawn by Sexsmith on the account for payments made on behalf of the company. This overdrawn account was balanced on September 18th, 1893, by a deposit of \$110.94 to the credit of the account. This is the last entry with the exception of a small debit and credit of \$8.10. At the time Sexsmith absconded, he was a defaulter to the company. At the time the note of \$1,611 was charged to the bank account on June 19th, 1893, he had received in all from first to last for sales of cheese, \$12,230.80, according to the Master's report, and had paid out \$12,199.04, so that he owed the company only \$31.76.

Action was brought by the plaintiffs to recover from the defendants the \$1,611 which would have been at the credit of the bank account had the \$1,611 note not been charged. It was contended that Sexsmith had no power to bind the company by making a note in its name, even though he signed it as president and affixed the corporate seal to it.

At the conclusion of the evidence at the trial at Belleville, on March 7th and 8th, 1894, the learned Judge held that the only claim the defendants could have against the plaintiffs was for such portion, if any, of the proceeds of the \$1,600 note as were applied for the benefit of the plaintiffs—not determining then whether the plaintiffs would be liable to pay it, if Sexsmith merely replaced moneys which he had misappropriated, by the proceeds of this note; and a reference was directed to Mr. A. G. Northrup to ascertain the state of account between Sexsmith and the company at the time the \$1,600 note was discounted,

and at the time it was charged to the plaintiffs' account; and also to ascertain whether any, and if so, what debts or liabilities of the plaintiffs were, in fact, paid out of the proceeds of the \$1,600 discount, or what portion, if any, of such proceeds were applied to the benefit of the plaintiffs.

The Master reported that all the proceeds of the note went to the plaintiffs' account in the bank, and were applied to pay liabilities of the plaintiffs, so that they got the whole benefit of it.

On 18th Oct., 1894, at Toronto, the plaintiffs, before Street, J., moved for and obtained judgment for the amount claimed with costs, the decision being based on the ground that as a matter of law the note was not a note of the plaintiffs, but was the individual note of Sexsmith, who had borrowed the money from the defendants to make good his defalcations to the company; and that as a matter of fact the account to which the note was charged was a trust account, the moneys at the credit of which belonged to the plaintiffs, as the defendants were aware.

The defendants, on 21st Feb., 1895, before the Divisional Court, consisting of Robertson and Meredith, JJ., moved against the above judgment, and the same was reversed. The decision of the court was delivered by Meredith, J. In the course of his remarks the learned Judge said:

Upon the facts as found it seems to me necessary only to state the case to show that they cannot recover, unless by some legal fiction we are prevented from doing justice between the parties.

The facts are that the president of the company opened a bank account for the plaintiffs with the defendants; that was in reality, whatever it may have been in law, the plaintiffs' account; if not, they fail, for the action is to recover the balance of that account. The president of the company, acting for the company, and in the name and upon the credit of the company, discounted the note in question as the company's note, and had the proceeds of the note placed to their credit in that account. That note was, as is very usual, renewed more than once, and finally charged up in the usual and proper course of business to that account. Now, the plaintiffs are suing for the balance of that account; and admittedly there is no balance, unless they can repudiate liability upon the note, and at the same time take the benefit of it. Surely, when they say you cannot charge us with that note because it was *ultra vires* of the company to

make a promissory note, or beyond the authority of our president to negotiate it—though, by the way, he was permitted, as a matter of fact, to take almost absolute control of the company's business for the company—it is quite open to the defendants to say, very well, then, we strike it out of your account altogether, the credit as well as the debit. It is not as if the defendants were suing the plaintiffs upon that note, whatever might have been the result of that action, having regard to the fact that practically the whole of the proceeds of it are traced into proper payment for the company, and most, if not all, into payment to the members of the corporation who are seeking now to recover a sum which in honesty and fair dealing they are not entitled to. It is a simple case of a person seeking to take the benefit without assuming the burden of a single transaction. The onus is upon the plaintiffs to show that they were entitled to be credited with the sum in question, and that the defendants are accountable to them for it. The credit of the sum in their account—if they do not repudiate the account—might alone be enough *prima facie* proof; but in proving that the whole facts come out, and they are placed in a position where they must affirm or disaffirm the transaction; if they affirm, they are right in charging the defendants as they have done, but are bound to credit them with the note when it eventually comes home to them; if they disaffirm the transaction then they prove that they are not, and never were, entitled to the sum in question; and so in either case their action fails, and should have been dismissed; unless, indeed, they can show, as eventually upon the argument before us they sought to, that the loan was in reality one to the president of the company individually, and the proceeds deposited by him to the company's credit as a payment to them, which it was urged was likely, as he is supposed to have been a defaulter in respect of the company's funds at the time; but the finding of the learned trial Judge is entirely, and rightly so, against any such contention; if it had been otherwise there might have been cause for finding fault with it.

The ground upon which the learned trial Judge decided the case in the plaintiffs' favor appears to be this: that the making of a promissory note was *ultra vires* the company—for otherwise there would appear to be quite enough in evidence to estop them from setting up mere want of authority in the president to negotiate it as he did—and being *ultra vires*, could not in law have been, however plainly in fact it may have been intended to be, the company's note, and therefore it must be taken to be the personal note of the president, the proceeds his property, and such proceeds being placed to the credit of the company, could be retained by them to answer his debt to them. If the plaintiffs were suing the president individually, and the act were



*ultra vires*, no doubt he would be liable, and could not at law give parol evidence to show that he was not the party intended to be charged. . . . The plaintiffs are, if the transaction were *ultra vires*, no parties to it; the defendants are not suing upon it, or setting it up in defence; how then can the plaintiffs hold the defendants to that which the defendants might, if they chose, claim to be its legal effect, contrary to the reality of the thing, and contrary to what the instrument purports to be, and what the parties to it maintain the transaction was?

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## QUEEN'S BENCH DIVISION, ONTARIO

Molsons Bank vs. Cooper *et al.*

A Bank holding a judgment against a customer for a debt representing advances made on the security of collateral notes, must give credit on the judgment for all moneys collected from the collateral security, and can only rank on the estate for the amount of the judgment which is unsatisfied by such moneys.

The facts in this case are as follows: The plaintiffs gave the defendants, Cooper & Smith, wholesale merchants, Toronto, a line of credit "to be secured by collections deposited." The customers' notes handed to the Bank as security in terms of this credit were entered in a book which was headed as follows: "The notes enumerated in this book are deposited with the Molsons Bank as collateral security for advances made to us by the bank in discounts and overdrafts." This was signed by the defendants.

As the collateral notes matured, they were from time to time withdrawn by the defendants for collection; other similar notes being substituted for those withdrawn. In 1893, the defendants stopped payment, and subsequently the plaintiffs recovered judgments against them upon notes then overdue, and placed executions in the sheriff's hands; other creditors obtained judgments also against the defendants and placed executions in the sheriff's hands. The sheriff seized and sold goods of the defendants, but the amount was insufficient to pay all the executions in full, and he proceeded to a *pro rata* distribution under the Creditors' Relief Act.

Some of the other creditors disputed the amount of the plaintiffs' claim, insisting that it should be reduced by the amount of the collections upon the collateral securities made before and

after the judgment was recovered. The defendants also applied in Chambers to have satisfaction *pro tanto* or in full entered upon the judgments by reason of the payments received by the plaintiffs upon these collateral securities. The latter motion came by way of appeal or adjournment before the Divisional Court of the Queen's Bench Division, who directed an issue styled *Cooper v. Molsons Bank*, to be tried to determine whether before or since the recovery of the judgments the plaintiffs had received any payments which ought to be applied in whole or in part of the judgments or any of them. A similar issue styled *Mason v. Molsons Bank*, was directed to be tried in the contestation made by the other creditors. Both issues were tried before Rose, J., on 13th April, 1894, and judgment given in favor of the Bank, the finding of the Court being to this effect: That the paper deposited with the Bank was regarded by both parties as security for the whole account and not for any particular portion thereof, and that the bank was entitled to rank upon the estate for the amount of its judgments, and to treat the moneys received from the collaterals as applicable to the balance of their advances remaining after receipt by them of a *pro rata* share of the estate under their judgments.

From this judgment the defendants appealed. The appeal was argued on 25th May, 1895, before a Divisional Court composed of Falconbridge and Street, JJ., and the judgment of the Court, reversing Rose, J., was delivered by Street, J. From this we quote:

I cannot see that the case of *Eastman v. Bank of Montreal*, 10 O.R. 79, and the cases upon which it is based, support the contention of the plaintiffs under the circumstances of the present case. In the first place it is to be observed that since the decision in the *Eastman* case, the law has been altered by statute, and a creditor coming in to prove under an assignment for the benefit of creditors, is bound to state what securities on the estate of the insolvent he holds for his claim, and to value those securities, if any, and his proof is to be allowed for the balance only after deducting such value: R. S. O. ch. 124. sec. 19, sub-sec. 4.

In the next place the question here is not the amount for which the plaintiffs are entitled to rank upon an insolvent estate, but the amount for which they should have judgment against the defendants upon these notes; that is to say, whether the defendants now, in addition to the sums for which

the plaintiffs have judgments against them, owe to them, upon a proper accounting, any further sum, and if so, how much.

I can find in the documentary evidence of the terms on which these notes were deposited with the plaintiffs—and that is the only evidence before us—nothing to take the deposit out of the rule which should be applied to a simple deposit of notes by a debtor with a creditor as collateral security for the payment of his debt. In such a simple case, I take it that when the creditor's debt matures and he receives payment of the collateral notes, he is not entitled to say that he will carry these payments to a suspense account, and recover judgment for the whole amount of his debt without crediting anything.

The object of depositing the collateral notes with the creditor, was to enable him to pay himself by collecting them if the debtor failed to pay his debt when due; and the creditor cannot without the consent of the debtor collect the notes, and then his debt being due, refuse either to pay himself or give the money he has collected back to the debtor.

Special principles have been laid down governing this general rule when the question is one of proof against an insolvent estate; but even there the creditor is bound to credit the proceeds of collaterals realized by him before his proof is made. . . . And as I have pointed out, this rule no longer exists in this province in the case of assignments for the benefit of creditors. . . .

There being, therefore, in my opinion, no agreement here controlling the right of the defendants to have these payments applied on their debt to the plaintiffs, and no principle of law or equity applicable to the existing circumstances of the case entitling the plaintiffs to refuse to apply them, I think we are bound to order that the plaintiffs, now that their whole debt is overdue, shall give credit for them; and as they must be taken to have elected upon the former proceedings to apply them upon the portion of their debt not then due, they must adhere to their election and apply them accordingly.

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*Re Commercial Bank of Manitoba, La Banque d'Hochelaga's Case\**

Where a bank accepts or certifies a cheque at the request of the drawer, and the cheque is afterwards altered by the drawer so as to be made payable to bearer instead of to order, the bank is not liable to the drawer or his assignees on the altered cheque, such alteration being a material one, although not one of the kind specified in sec. 3 of the Bills of Exchange Act.

The material facts of this case are as follows: One A. H.

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*\*From the fuller report in the MANITOBA REPORTS.*

Corelli drew a cheque upon the Commercial Bank of Manitoba, payable to the Equitable Life Assurance Society or order, and had it marked by the bank with its acceptance stamp and sent to the agents of the Equitable Society in Toronto. The bank immediately afterwards suspended payment, whereupon Corelli regained possession of the cheque, scored out the word "order" and inserted "bearer," initialing the alteration. He then lodged the cheque with the Hochelaga Bank as security for an advance, and the latter made a claim upon the liquidator of the Commercial Bank for the amount of the cheque. The liquidator contested the claim, and proposed if the claim were not allowed, to set off the indebtedness of Corelli to the Commercial Bank against the balance there would then be at the credit of the account.

It was held that there was a material alteration in the cheque, and that the holder could not recover from the drawee.

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SUPREME COURT, CANADA

Clarkson et al. vs. McMaster\*

An unregistered chattel mortgage is void as against creditors.

The facts of the case are as follows :

On 10th October, 1893, one A. L. Davis executed a chattel mortgage in favor of McMaster & Co., covering all his goods, stock, and other assets, the consideration being stated as \$1,600.63. Davis was then indebted to other persons in large amounts, his statement of his affairs showing liabilities of \$2,901.71—a large portion of this being overdue,—and nominal assets of \$4,600.

At the time of the execution of the chattel mortgage it was agreed between Davis and McMaster & Co. that the mortgage would not be registered, Davis being apprehensive that registration of the mortgage would affect his credit. On 7th November, 1893, McMaster & Co. took possession of the mortgaged property, and on 13th November Davis made an assignment to the

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\*ED. NOTE.—Judgment in this most important case has just been rendered, and copy of the judgment comes to hand as the first forms of the JOURNAL are going through the press—too late to permit of comment.

plaintiff Clarkson, under the provisions of the Ontario statute. On the 14th November, while the goods were in the possession of McMaster & Co., the action in question was instituted by the assignee to restrain McMaster & Co. from selling the goods. Prior to the trial McMaster & Co. realized the goods, receiving the proceeds.

Mr. Justice MacMahon, at the trial, held the mortgage to be void for want of registration, and was of opinion that under the statute amending the Chattel Mortgage Act, subsequent taking of possession did not remedy this defect, and he ordered McMaster & Co. to account to the assignee for the proceeds.

The Court of Appeal reversed this decision (Hagarty, C. J., dissenting) and dismissed the action. The case was then taken to the Supreme Court, where the decision of the Court of Appeal was reversed. We quote the judgment of Strong, C. J. :—

In the view which I take of this case, it is not necessary that I should express any opinion as to the validity and *bona fides* of the mortgage so far as it is impeached upon the grounds of the mortgagor's insolvency and as a fraudulent preference, and therefore I refrain from doing so. I may say, however, that upon facts disclosed by the evidence, which are undisputed, and which are therefore open for consideration by an appellate Court, I should entertain grave doubts as to the validity of the transaction as against the creditors of the mortgagor, apart altogether from the non-delivery of possession, the want of registration, and the express agreement not to register the mortgage, questions which I propose to consider.

Under the statute law regulating chattel mortgages in the Province of Ontario, applicable to the mortgage now in question, I am of opinion that the appellants are entitled to attack the transaction, thus differing from the majority of the Court of Appeal, and agreeing in the conclusion of the learned Chief Justice of Ontario.

The general Act, relating to mortgages of chattels (R.S.O., ch. 125), was amended and extended by the Ontario Statute (55 Vic., ch. 26). By section 2 of that Act, it was enacted as follows :—

“ In the application of the said Act, and of this Act extending and amending the same, the words ‘ void as against creditors ’ in said Act shall extend to simple contract creditors of the mortgagor or bargainor suing on behalf of themselves and other creditors, and to any

assignee for the general benefit of creditors within the meaning of the *Act respecting Assignments and Preferences by Insolvent Persons* and amendments thereto, as well as to creditors having executions against the goods and chattels of the mortgagor or bargainor in the hands of the sheriff or other officer."

And section 4 of the same Act provides :—

"A mortgage or sale declared by said Act to be void as against creditors and subsequent purchasers or mortgagees, shall not, by the subsequent taking of possession of the things mortgaged or sold by or on behalf of the mortgagee or bargainee, be thereby made valid as against persons who became creditors, or purchasers, or mortgagees before such taking of possession."

These enactments were undoubtedly intended by the legislature to obviate the construction which the court had put upon the provisions embodied in chapter 125 of the Revised Statutes of Ontario. Section 1 of that Act provides that :—

"Every mortgage of goods and chattels not accompanied by an immediate delivery, shall, within five days from the execution thereof, be registered, etc."

And section 4 of the same Act provides that :—

"In case such mortgage or conveyance and affidavits are not registered as hereinbefore provided, the mortgage or conveyance shall be absolutely null and void as against the creditors of the mortgagor, and against subsequent purchasers or mortgagees in good faith for valuable consideration."

The mortgage now in question was not registered within the prescribed time, nor was there immediate delivery of the mortgaged goods. A line of decisions in the courts of the province had, previously to the passing of the Act of 1892, established that, in the construction of the first section of the Chattel Mortgage Act just set forth, the word "creditors" was to be construed as meaning "judgment creditors," and the words "null and void" as meaning "voidable." It was also held that the mortgagee might at any time validate a mortgage invalid for want of possession or registration, by taking possession of the mortgaged property. If it were necessary now to determine whether this construction was or was not correct, I am compelled to say, with great respect for the opinions referred to, that I should find great difficulty in agreeing with these decisions. First, I see no reason why the word "creditors" should be restricted to a particular class of creditors, viz., judgment creditors. Why should the same word receive a dif-

ferent construction in this Act from that which it has received as used in the statute of the 13th Elizabeth? I see no reason for any such distinction. It is true that equitable execution as consequential on the avoidance of a transaction under the 13th Elizabeth could not under the old system of separate jurisdictions for law and equity have been obtained by any but judgment creditors, but the deed was nevertheless held to be void as against simple contract creditors. In *Reese River Mining Co. v. Atwell*, it was held by Lord Romilly, M.R., that simple contract creditors were entitled to a decree declaring a deed void under the statute of Elizabeth, even though, not having obtained a judgment at law, they could not have had equitable execution; and, as is pointed out in *May on Fraudulent Conveyances*, this was only carrying out what is said in the judgment of Lord Hardwicke in *Higgins v. York Building Co.*, where occurs the following passage:—

“I do not know in the case of fraudulent conveyances that this Court has ever done anything more than remove fraudulent conveyances out of the way, nor any instance of a decree for sale, but equity follows the law and leaves them to their remedy by elegit, without interfering one way or the other.”

And that an instrument fraudulent under the statute was void against all creditors, was also demonstrated by the well-established practice of Courts of Equity in administering assets, which was not to require a judgment at law, but to treat deeds fraudulent under the statute as void against all creditors, and to deal with the property purported to be conveyed by such instruments as assets for the payment of simple contract as well as all other creditors. Then there are reasons which, in my opinion, require a liberal construction of the word “creditors,” derived from the manifest policy of the Chattel Mortgage Act. Registration or possession were required manifestly for the protection, not only of actual creditors, but of those who might become creditors, relying on the visible possession of property by their debtor, and the absence from the appropriate registry of any charge upon that property; and this for the protection of those who had not had an opportunity of recovering judgment; creditors’ payments of whose claims might be deferred, or who had not had time to get judgment. Again, I am not impressed with the soundness of the construction which reads the terms “absolutely null and void” as “voidable.” So to cut down the words of the Act is, I venture to say, in direct conflict with the manifest policy of the Legislature, and is not justified by the consideration that creditors could not have the mortgaged chattels applied in payment of their debts until they had recovered judgment. The rule requiring a judgment-at-law

to entitle a party to equitable execution is to be ascribed to the reluctance of the Equity Courts in former times to entertain legal questions; such questions were always sent to a court of law to be determined. The creditor's right to recover his debt was a purely legal question, and therefore he had to establish it by a judgment-at-law. This, however, by no means involved the necessity of saying that deed was not void under the statute of Elizabeth as against simple contract creditors. The authorities I have already referred to show that this proposition must be correct. Then, for these reasons deduced from the statute of Elizabeth, and the decisions on that Act, and on the policy which led to the legislation embodied in the Chattel Mortgage Act, I should have thought the word "creditors" in the latter Act ought to be construed as embracing all creditors. It follows from this that there was no sound reason for cutting down the expression "absolutely null and void" to "voidable." Lastly, if a chattel mortgage, not registered within the limited time, and where no possession has been taken, was absolutely null and void at the expiration of five days as against all creditors, I am unable to see how such a void security could be revived by the creditor simply taking possession of the goods. In the case of *Barker v. Leeson*, the learned Chancellor of Ontario delivered a judgment which, in my opinion, contains not only a correct construction of the statute, but also a sound exposition of the policy of the law and the intent of the legislature in enacting it.

The Act of 1892 was, however, passed by way of altering and amending the law as established by the authorities referred to, and it impliedly recognizes the construction thus placed upon the first statute as being at the time of the passing of the latter Act, the existing law. I do not, therefore, intend to decide this case upon my own view as to the proper interpretation of the original Act, but assuming that the previous decisions are binding authorities, I propose to place the decision of this appeal entirely upon the amending Act, 55 Vic., chap. 26, thus following the course of the learned Chief Justice of Ontario, who did not conceive himself in any way precluded by the state of the authorities from so doing. And doing this, I come to the same conclusion as the learned Chief Justice.

The second section of the Act announces that it is the intention of the Legislature thereby "to extend and amend" the existing law. How any extending or amending effect can be attributed to the Act consistently with the judgment now under appeal I am unable to see. Nothing can be more explicit and distinct than the declaration of the Legislature that mortgages in relation to which the requirements of the original Acts have not been complied with, shall be void as against simple contract



creditors. I do not construe this declaration as in any way fettered with any condition as to the form of suit; all I understand to have been meant by the words "suing on behalf of themselves and other creditors" was just this: that the mortgage being void as to all, any action which might be brought to obtain the benefit of the nullity enacted by the statute, should be on behalf of all creditors, so that all, and not merely those suing, might obtain the benefit of the Act. Then, applying this in the present case, this mortgage became absolutely null and void at the expiration of the five days allowed for registration. Then, the same second section provides that this avoidance shall inure to the benefit, not only of creditors who may sue on behalf of themselves and others, but also to the benefit of all creditors suing by their representative, the statutory assignee, for the benefit of creditors, who undoubtedly represents the creditors just as much as does in England an assignee in bankruptcy; and we constantly find cases reported in which such last mentioned assignees maintain actions to set aside deeds executed before their appointment. That being so, this mortgage being thus absolutely void under the Act of 1892, when the term for registration had elapsed, whatever the law may have been before, the assignee was entitled to maintain this action so soon as the assignment to him was completed, and I should be prepared so to hold even if there was not now a single creditor whose debt existed at the date of the mortgage, but only creditors whose debts had been contracted subsequently, for I think in construing these Acts (the Revised Statutes and the Amending Act together), we ought not to restrict the voidance of the mortgage to actual creditors at its date, but to extend its benefits to subsequent creditors, and that not only for the reasons stated in the judgment of the Chancellor before referred to, but on the very words of the section 4 of 55 Vic. chap. 26. This fourth section, in my opinion, very clearly indicates that creditors subsequent to the mortgage were intended to be included, for it expressly provides that taking possession under a mortgage void as against creditors shall not validate it against creditors who became such before taking possession.

Then, did the subsequent taking possession validate this mortgage, if it was, at the time possession was taken, absolutely "null and void"? If the foregoing reasons and conclusions are correct, this may be answered in the very words of section 4 itself, which says in so many words that a mortgage declared to be void as against creditors and subsequent purchasers or mortgagees, shall not, by the subsequent taking of possession of the things mortgaged, be thereby made valid as against persons who became creditors before such taking of possession. Credi-

tors now represented by the assignee became creditors before the taking of possession, and, therefore, upon the express words of the Act which require no construing, since what is already plain and explicit does not bear interpretation, the possession did not set up this mortgage against the assignee nor against the creditors suing conjointly with him.

Lastly, I am of opinion that this mortgage ought to be avoided on a ground altogether distinct from that before considered. Not only was there a non-compliance with the conditions of the Act in respect of registration and taking possession, but there was a distinct agreement between the mortgagor and mortgagee that there should be neither registration nor immediate possession; in other words, that a transaction which the law required should be open and notorious—to be made so either by registering the mortgage or taking possession of the goods,—should be concealed from subsequent creditors, purchasers and mortgagees. This mortgage was, therefore, given in pursuance of an agreement to contravene the statute, and was, therefore, on the grounds of public policy, void *ab initio*. Whether the mortgagor was or was not insolvent at the date of the mortgage, this agreement, in my opinion, constituted what has been called a fraud upon the statute, and this upon the authority of the cases of *Jones v. Kinney*, *Ex parte Fisher*, and *Clarkson v. Sterling*, cited in the appellant's factum, in itself constitutes a distinct ground for holding the mortgage to have been a nullity from the beginning, and to have been a void instrument before the expiration of the term allowed for registration had expired. I have seen the case of *Morris v. Morris*, but I find nothing in that authority to alter the opinion I had previously formed. The statute there under consideration differed in important respects from that which applies to the present case.

The appeal must be allowed with costs in this Court and in the Court of Appeal, and the judgment of Mr. Justice MacMahon must be restored.

# UNREVISED TRADE RETURNS, CANADA

(000 omitted)

## IMPORTS

<i>Quarter ending 30th September—</i>	1894		1895	
Free .....	\$12,275		\$10,056	
Dutiable.....	15,288		17,163	
	<u>\$27,563</u>		<u>\$27,219</u>	
Bullion and Coin.....	3,376	<u>\$30,939</u>	2,206	<u>\$29,425</u>
<i>Month of October—</i>				
Free .....	\$ 3,714		\$ 3,820	
Dutiable.....	4,519		5,669	
	<u>\$ 8,233</u>		<u>\$ 9,489</u>	
Bullion and Coin.....	124	<u>\$ 8,357</u>	897	<u>\$ 10,386</u>
Total for four months.....		<u>\$39,296</u>		<u>\$39,811</u>

## EXPORTS

<i>Quarter ending 30th September—</i>	1894		1895	
Products of the mine .....	\$ 1,515		\$ 1,930	
"    Fisheries.....	3,969		3,168	
"    Forest .....	9,529		10,236	
Animals and their produce.....	11,646		13,294	
Agricultural produce .....	2,588		1,511	
Manufactures .....	1,925		2,266	
Miscellaneous .....	46		74	
	<u>\$31,222</u>		<u>\$32,481</u>	
Bullion and Coin.....	449	<u>\$31,671</u>	176	<u>\$32,657</u>
<i>Month of October—</i>				
Products of the mine .....	\$ 505		\$ 671	
"    Fisheries .....	1,757		2,505	
"    Forest .....	2,932		2,903	
Animals and their produce.....	4,916		4,121	
Agricultural produce .....	3,210		1,469	
Manufactures .....	690		810	
Miscellaneous .....	16		14	
	<u>\$14,029</u>		<u>\$12,496</u>	
Bullion and Coin.....	26	<u>\$14,055</u>	31	<u>\$12,527</u>
Total for four months.....		<u>\$45,726</u>		<u>\$45,184</u>

## SUMMARY (in dollars)

*For four months—*

	1894	1895
Total exports other than bullion and coin..	\$45,251,998	\$44,977,694
Total imports        "        "        "        ..	35,796,590	36,708,718
Excess of exports .....	9,455,408	8,268,976
Net imports of bullion and coin.....	3,025,251	2,896,777

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Hamilton  
and Winnipeg

(noo omitted)

	MONTREAL		*TORONTO		HALIFAX		HAMILTON		WINNIPEG	
	1893-4	1894-5	1893-4	1894-5	1893-4	1894-5	1893-4	1894-5	1893-4	1894-5
December	\$ 45,108	\$ 47,351	\$ 25,398	\$ 25,700	\$ 4,884	\$ 4,874	\$ 3,747	\$ 2,834	\$ 4,970	\$ 5,199
January ..	44,796	48,376	27,267	27,961	4,931	4,997	3,087	2,831	4,318	4,067
February	35,478	37,793	19,209	20,493	3,981	4,118	2,671	2,461	3,132	2,721
March ...	45,715	42,464	22,894	22,332	4,745	4,174	2,739	2,462	3,510	2,929
April ....	40,942	41,906	21,473	21,961	4,468	4,414	3,078	2,611	2,959	3,093
May ....	45,586	51,969	24,174	25,698	4,871	4,964	2,978	2,704	3,455	4,156
June ....	44,704	52,353	21,965	26,772	4,471	5,090	2,753	2,913	3,329	3,865
July .....	45,223	51,902	23,763	26,838	5,492	5,739	2,682	2,972	3,570	4,038
August ..	44,383	49,314	21,779	23,235	5,407	6,264	2,546	2,726	3,695	3,937
September	46,855	45,251	20,078	22,543	5,062	4,694	2,686	2,706	3,975	4,008
October ..	55,730	53,298	25,750	28,437	5,452	5,613	3,155	3,402	6,786	7,911
November	51,838	54,397	25,214	28,633	5,021	5,444	3,092	3,363	6,607	8,503
	544,358	576,374	278,964	300,603	58,785	60,385	35,214	33,985	50,306	54,427

\*NOTE.—These totals do not include the Bank of Toronto.

STATEMENT OF BANKS acting under Dominion Government charter for the months of September,  
October and November, 1895, and comparison with November, 1894:

LIABILITIES

	30th Sept., 1895	31st Oct., 1895	30th Nov, 1895	30th Nov., 1894
Capital authorized .....	\$73,458,685	\$73,458,685	\$ 73,458,685	\$ 73,458,685
Capital paid up .....	61,780,328	61,965,098	62,094,573	61,669,355
Reserve Fund .....	27,158,799	27,158,799	27,233,799	27,287,526
Notes in circulation .....	\$32,774,442	\$34,671,028	\$34,362,746	\$33,076,868
Dominion and Provincial Government deposits .....	9,511,782	6,968,686	8,188,906	5,134,883
Public deposits on demand .....	67,774,818	67,812,853	67,573,438	69,304,659
Public deposits after notice .....	116,634,486	118,852,499	120,264,326	113,842,322
Bank loans or deposits from other banks secured .....	17,115	28,293	28,240	27,820
Bank loans or deposits from other banks unsecured .....	2,818,077	3,764,351	2,686,202	2,947,418
Due other banks in Canada in daily exchanges .....	144,943	173,681	115,580	158,087
Due other banks in foreign countries .....	171,861	215,853	220,985	156,752
Due other banks in Great Britain .....	3,868,060	4,380,391	3,704,022	3,089,477
Other liabilities .....	358,879	502,476	1,172,322	799,520
Total liabilities .....	\$24,074,548	\$237,370,196	\$238,316,844	\$228,597,876

## ASSETS

Specie.....	\$ 7,575,318	\$ 7,407,504	\$ 7,349,768	\$ 7,958,432
Dominion notes.....	15,960,092	16,221,325	10,031,512	14,790,407
Deposits to secure note circulation.....	1,814,624	1,814,624	1,814,624	1,810,736
Notes and cheques of other banks.....	7,818,012	7,566,814	7,163,592	7,343,825
Loans to other banks secured.....	17,115	23,293	23,240	27,820
Deposits made with other banks.....	3,634,362	4,724,511	3,735,426	3,789,942
Due from other banks in foreign countries.....	26,600,316	26,068,225	27,773,910	25,274,625
Due from other banks in Great Britain.....	6,373,183	4,599,670	5,418,787	4,401,819
Dominion Government debentures or stock.....	2,687,044	2,828,226	2,830,276	3,124,844
Public municipal and railway securities.....	19,300,082	20,140,730	20,361,370	18,508,488
Call loans on bonds and stocks.....	17,096,695	17,197,537	17,104,427	17,722,585
Loans to Dominion and Provincial Governments.....	365,281	470,416	527,559	1,296,720
Current loans and discounts.....	197,729,334	201,753,216	202,090,122	195,823,973
Due from other banks in Canada in daily exchanges.....	236,517	394,873	127,009	146,324
Overdue debts.....	4,538,140	4,207,698	4,334,856	3,457,178
Real estate.....	1,242,741	1,237,749	1,229,819	893,260
Mortgages on real estate sold.....	608,441	601,035	579,475	603,895
Bank premises.....	5,657,926	5,663,043	5,659,868	5,459,813
Other assets.....	2,336,294	1,857,815	2,070,413	1,741,256
Total assets.....	\$321,881,711	\$325,648,490	\$326,226,143	\$314,176,123
Average amount of specie held during the month.....	\$ 7,490,649	\$ 7,402,921	\$ 7,432,092	\$ 7,748,339
Average Dominion notes held during the month.....	15,052,332	15,816,272	15,957,927	15,164,916
Loans to directors or their firms.....	7,941,317	8,717,336	8,401,123	7,978,669
Greatest amount of notes in circulation during month.....	33,153,175	35,393,876	36,197,769	35,640,491





# JOURNAL

OF THE

## CANADIAN BANKERS' ASSOCIATION

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*APRIL—1896*

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### THE LAND MORTGAGE COMPANIES, GOVERN- MENT SAVINGS BANKS AND PRIVATE BANKERS OF CANADA

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THERE is perhaps no other country where the credit system has been so thoroughly developed as in Canada. What is meant here by the credit system is not merely that which is commonly understood by that term in the commercial world, whereby an individual is able to obtain possession of goods on his undertaking to pay for them at some future time, but the mechanism which collects and manipulates individual credit, and also creates credit of its own. The chief parts of this mechanism in every country are formed of institutions whose main business it is to gather into masses the casual or more permanent surpluses of individuals, and distribute them again to meet the needs of other individuals, or of the public as a whole. The efficiency of the system depends not only upon the thoroughness with which idle wealth is collected, but also upon the principles which govern its application to the development of the industries and natural resources of the country, as well as upon the regulations which control the credit created. The

Australian system appears to have failed largely because it permitted the application of casual wealth to satisfy wants of a more or less permanent character. The United States system broke down in 1893 because of the too stringent regulations which it employed to govern the maximum of created credit. And in England also it has frequently been necessary, in order to prevent widespread disaster, to relax the legal restrictions of the same nature as those which caused the trouble in the United States.

In Canada the system has grown by slow degrees, being amended periodically as experience suggested to meet the peculiar needs of the country. Its ramifications extend to the remotest parts, into every village, and into practically every house. It may be said that the whole business of the country is conducted on credit, and on credit supplied principally from within. The system has so permeated the every-day life of the people that almost everyone, from the capitalist to the laborer, has a bank account somewhere, and a five-dollar gold piece is looked upon with more suspicion than a five-dollar bank note.

The institutions which form the system in Canada are divided in theory, and to a large extent in practice, into classes, upon the basis of the duration of the credit in which they deal. The principal of these classes is represented by the chartered banks; after which the most important functions are performed by the loan companies. Following these is the Government, operating through the circulation of legal tender notes, and the post office and Government savings banks. Lastly come the private bankers, and the two large savings banks in the Province of Quebec—the City and District Savings Bank of Montreal, and La Caisse d'Economie de Notre Dame de Quebec.

There are no statistics available relating to the volume of business done by private bankers. The relative importance of the other parts of the financial system is indicated by the following figures:\*

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\* The present article was written in June, 1895, when the latest figures of the Loan Companies obtainable were those for 1893.

<i>Chartered Banks</i>	
Total assets (1893) .....	\$304,363,580
<i>Loan Companies</i>	
Total assets (1893) .....	133,250,285
<i>Government</i>	
	1893
Circulation .....	\$18,448,494
Deposits .....	41,849,658
	<hr/>
	60,298,152
<i>Quebec Savings Banks</i>	
Total assets (April, 1895) .....	15,307,637
	<hr/>
	\$513,219,654

It is not the purpose of this paper to do more than refer to the chartered banks as forming part of the whole system. It is rather the intention to bring forward some points in connection with other parts, the importance of which has been somewhat overshadowed by the large measure of attention recently bestowed on the banks.

## I

## LOAN COMPANIES

THE history of loan companies in Canada may be said to have its commencement in 1844, when the Lambton Loan and Investment Company was started. At that time there appears to have been no legislation relating to institutions of the kind. The first Canadian Act referring to building societies was passed in 1846, and was to encourage the establishment of building societies in Upper Canada. Within the next three years Acts of a similar tendency were passed for Lower Canada, New Brunswick and Nova Scotia. Since then forty or more Acts have been passed by the several legislative authorities of what is now the Dominion of Canada.

Of the companies now in existence, eight were established before 1860, eight between 1860 and 1869, thirty-nine between 1870 and 1879, and fourteen between 1880 and 1889.\*

A number of amalgamations have taken place among the companies, but it speaks well for the character of the management that there have been very few failures, and that in every instance where failure has occurred the public creditors were

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\*Statistical Year Book, 1893.

paid in full—a record which will well bear comparison with that of similar institutions in the United States.

The legislation under which the various companies now operate emanates from different authorities, and is rather confusing in the variety of its provisions. It is still a disputed point whether the control of loan companies is vested in the Dominion or in the provinces, and as a consequence of this conflict of authority there is general legislation on the subject by both the Dominion parliament and the provincial legislatures. Some of the companies are incorporated by the Dominion and some by one of the provinces, and a few, by way of making sure of their position, have sought legislation from both sources. To complicate matters still more both the Dominion and the provinces incorporate individual companies by special Acts, the provisions of which do not always correspond with those of the general Acts.

The contrast in this respect between the loan companies and the banks is striking, the latter having their limits clearly and distinctly marked out for them by one Act which reaches in its operation from the Atlantic to the Pacific.

One unfortunate effect of this diffusion of control is that there is no *complete* record available for reference of the loan company business throughout the Dominion. It is true that both the Dominion and the Ontario Acts require full annual statements from all the companies within their jurisdiction, under a penalty of \$50 for every day they are late, but the authorities confess their inability to enforce compliance where the company does not yield it willingly. The last report issued by the Finance Department at Ottawa contains particulars from 82 companies, but it does not state how many are omitted. The Ontario Bureau of Industries presents, for the same year, reports from 86 companies doing business in Ontario, and of course there are others whose operations are confined entirely to provinces outside of Ontario. More than a brief reference to some of the provisions of the different Acts under which the companies are incorporated would be tedious and out of place here. Generally speaking they are intended—so far as the provisions which refer to the relations of the companies with the public are concerned—to mark the essential difference in nature

between the business they are framed to control and banking, although in so far as they permit the taking of deposits they violate this principle.

Liability of shareholders is limited to the amount unpaid on their stock. The issue of circulating notes is prohibited. The security upon which loans may be made is confined to real property and bonds, stocks, or similar collateral. But probably the most important provisions are those which regulate the borrowing powers of the companies.

All the Acts of the Dominion Parliament and the Ontario Legislature unite in requiring a certain amount of capital to be actually paid in before a company can begin business. The amount, however, varies. The Dominion "Companies Act" calls for \$100,000. The Ontario "Building Societies Act" for \$40,000, with an increase to \$100,000 should the company desire to borrow more than the amount of its paid in capital. The private Acts, as a rule, follow the lines laid down in this respect by the general legislation.

The borrowing powers also vary according to the source from which they are derived. Under the Dominion "Companies' Act" a company cannot borrow at all unless twenty per cent. of its subscribed stock, with a minimum of \$100,000, has been paid-up. If it takes deposits, whether it borrows in other ways or not, the deposits must not exceed in the aggregate the amount of its paid-up capital and cash combined. If it borrows only by way of debentures or other like securities, and not by way of deposits, the amount must not exceed four times its paid-up capital, or the amount of its subscribed capital, at the option of the company. If it borrows on both deposits and debentures or other securities, the aggregate borrowed, less the amount of cash on hand and in bank, must not be greater than the amount of principal unpaid on securities held by the company; nor must it exceed double the paid-up unimpaired capital.

Under the Ontario "Building Societies Act" a company is prohibited from borrowing until \$100,000 of stock is subscribed, and \$40,000 paid thereon. If the paid in capital does not reach \$100,000 the company cannot borrow more than the amount that is paid in. If the paid in capital is \$100,000 or

more the company's borrowing powers are largely extended. It can then issue debentures to an amount which, with all the other liabilities, shall not exceed twice the paid-up capital, *plus* the amount unpaid on the subscribed capital upon which not less than twenty per cent. has been paid. The total liabilities to the public, however, less cash on hand and in bank, must not be more than three times the amount paid on stock, nor must they exceed the amount of principal unpaid on mortgages held by the company.

In estimating the amount of paid-up capital on which the company is entitled to borrow, all loans to shareholders on their stock must be deducted in the case of all the Acts.

The Dominion Parliament has also passed legislation at various times specially to govern the movements of companies carrying on business in Ontario. The legislation of this kind which is now in force contains, so far as borrowing powers are concerned, at least, the same provisions as the Ontario Building Societies Act.

The private Acts of the Dominion and the Ontario Legislature resemble, as a rule, the general Acts in their main features. There are, however, variations made in some of them in important points. One company, for instance, operating under Dominion authority, and another operating under authority from the Ontario Legislature, are relieved from the necessity of having twenty per cent. of the capital paid-up before borrowing. Another, deriving its powers from the Dominion Parliament, refuses to recognize the validity of a transfer of its stock until the name of the transferee is entered in its register of *members*—not the register of transfers, as is usually the case.

It is difficult to see upon what principle of justice, or from what motive of policy there should be a variety of legislation, emanating from one source, governing different individual financial corporations, all of which perform exactly the same functions. What is sauce for the goose is sauce for the gander, contains a principle which should be applied strictly to all legislation relating to classes of individuals or of corporations possessing a semi-public character. Any deviation from it which confers special privileges, without strong motives of public policy for its excuse, has the same effect as the creation of a legal monopoly, and is open to the same objections.

The presence of general legislation for a class, and special Acts for individuals belonging to that class, is also illogical. We have, for instance, the Ontario legislature solemnly declaring, in effect, that the public interest requires loan companies which have not 20 per cent. of their capital paid-up to be prohibited from borrowing more than twice the amount of their actual paid-up capital, and we have the same legislature authorizing the Lieutenant-Governor in Council to permit a loan company with only 10 per cent. of its capital paid-up, amounting to \$175,000, to borrow from the public the sum of \$2,000,000! If it is in the public interest that other institutions of the same kind, with the same proportion and amount of capital paid in, shall only borrow \$350,000, upon what grounds of justice, reason, or policy should this one company be given the extraordinary privilege of borrowing nearly six times that amount? Or if it is right that this company should be allowed to borrow so largely in proportion to its capital, why should other companies of the same kind not be given equal latitude? The same inconsistency is seen in Dominion legislation: at least one company which could not borrow at all were it incorporated under the general Dominion Act, being enabled through its private legislation to borrow, should it so desire, up to \$5,000,000.

It is not intended for a moment to make any reflection upon the companies themselves that are thus favored. Both of those referred to happen to be well managed, and to stand high in public estimation; but the inconsistency of the attitude of the legislative authority is too gross, and the opening for abuse of power is too great to be passed by without notice.

Before leaving this branch of the subject reference may be made to the authority which is possessed by the Lieutenant-Governor of Ontario in Council, through the "Ontario Joint-Stock Companies Letters Patent Act," to incorporate loan companies and fix their most important powers, without regard to the provisions of the "Building Societies Act," and without an opportunity being allowed for public discussion. It was by means of this authority that the first of the two companies referred to above was incorporated, and that fact alone, when the exceptional powers conferred are remembered, should be sufficient to condemn the system of incorporation of loan com-

panies by letters patent, even if it were not manifestly opposed to reason and the public interests.

The accompanying list contains a great majority of the companies doing business in Ontario and the Eastern provinces, classified according to the Acts under which they are incorporated. In addition to these there are two companies doing business under Royal charter in British Columbia, and several others in that province and in Manitoba operating under local legislation, which have so far refused to make returns to the Dominion Government. Some six or seven small concerns doing business in Ontario, whose methods are not those of the legitimate loan companies, are also omitted.

### *Dominion Acts*

	Head Office	Capital	Reserve
<i>General Acts</i>			
Canada Permanent Loan & Savings Co .....	Toronto ....	\$2,600,000	\$1,450,000
Imperial Loan & Investment Co....	do ....	703,558	155,000
Western Canada Loan & Savings Co .....	do ....	1,500,000	770,000
Canada Landed & National Investment Co .....	do ....	1,094,000	350,000
Real Estate Loan Co. of Canada ..	do ....	373,720	45,000
Barrie Loan & Savings Co .....	Barrie .....	117,500	10,000
Montreal Loan & Mortgage Co ..	Montreal ..	500,000	300,000
Société de Prêts et Placements ....	Quebec ....	200,000	37,500
Hastings Loan & Investment Society	Belleville ..	209,097	21,000
Southwestern Farmers & Mechanics	St. Thomas..	140,782	10,000
Atlas Loan Co.. .....	do	267,237	7,000
<i>Special Acts</i>			
Nova Scotia Permanent Building Society and Savings Fund .....	Halifax ....	616,548	
London & Ontario Investment Co..	Toronto ....	550,000	160,000
London & Canadian Loan & Agency Co .....	do ....	700,000	405,000
British Canadian Loan & Investment Co .....	do ....	398,493	112,000
Eastern Canada Savings & Loan Co.	Halifax ....	100,500	10,000
Manitoba & North West Loan Co..	Toronto ....	375,000	111,000
Credit Foncier Franco Canadien ..	.....	1,196,172	92,360
Imperial Trusts Company of Canada	Toronto ....	95,295	



## Ontario Acts

	Head Office	Capital	Reserve
<i>General Acts</i>			
*Freehold Loan & Savings Co .....	Toronto ....	\$1,319,100	\$ 659,550
Building & Loan Association .....	do ....	750,000	112,000
Peoples Loan & Deposit Co.....	do ....	600,000	112,000
Ontario Loan & Debenture Co....	London, Ont.	1,200,000	432,000
*Huron & Erie Loan & Savings Co..	do	1,400,000	700,000
Dominion Savings & Inv. Soc....	do	932,200	10,000
Agricultural Savings & Loan Co..	do	619,000	120,000
Canadian Savings & Loan Co.....	do	727,650	200,000
London Loan Co.....	do	656,850	71,500
*Hamilton Provident & Loan Soc ..	Hamilton ..	1,100,000	300,000
Landed Banking & Loan Co.....	do	663,100	145,000
Ottawa Building & Loan Soc.....	Ottawa ....	115,324	
Southern Loan & Savings Co.....	St. Thomas.	400,000	64,000
Elgin Loan & Savings Co.....	do	212,634	19,000
Star Loan Co.....	do	192,800	27,169
Ontario Building & Savings Soc..	Kingston ..	250,000	
Frontenac Loan & Inv. Soc.....	do	200,000	30,000
Lambton Loan & Inv. Co.....	Sarnia.....	498,513	244,000
Industrial Mortgage & Savings Co..	do .....	196,321	15,807
Royal Loan & Savings Co.....	Brantford ..	499,300	100,000
Oxford Permanent Loan & Savings Soc. ....	Woodstock ..	234,671	20,500
Security Loan & Savings Co.....	StCatharines	274,256	
Ontario Loan & Savings Co.....	Oshawa ....	299,430	75,000
Midland Loan & Savings Co.....	Port Hope..	360,000	80,000
Guelph & Ontario Inv. & Savings Co.	Guelph ....	422,350	148,500
Crown Savings & Loan Co.....	Petrolea ...	164,528	16,500
Chatham Loan & Savings Co.....	Chatham ..	211,853	12,750
Brockville Loan & Savings Co....	Brockville ..	126,420	7,900
Owen Sound, Grey & Bruce Loan & Savings Co.....	Owen Sound.	141,100	1,400
<i>Ontario Joint-Stock Companies Letters Patent Act</i>			
Home Savings & Loan Co.....	Toronto ....	175,000	175,000
Ontario Industrial Loan & Inv. Co.	do ....	314,386	150,000
Toronto Savings & Loan Co.....	do ....	600,000	100,000
British Mortgage Loan Co.....	Stratford ..	311,978	75,000
<i>Private Acts</i>			
Land Security Co .....	Toronto ....	550,455	450,000
Central Canada Loan & Savings Co.	Peterboro ..	1,200,000	300,000

\*These companies have also been brought under Dominion authority by special Acts of Parliament.

*Quebec Acts*

	Head Office	Capital	Reserve
<i>General</i>			
Quebec Permanent Building Soc..	Quebec ....	200,000	33,000
Permanent Building Society of District of Iberville .....	St. Johns ..	100,000	32,000
<i>Private</i>			
Sherbrooke Loan & Mortgage Co..	Sherbrooke..	123,300	3,471

*Imperial Acts*

	Head Office	Capital	Reserve
<i>"Companies Act"</i>			
North British Can. Inv. Co.....	Glasgow ....	486,666	97,333
North of Scotland Can. Mortgage Co	Aberdeen ..	730,000	355,260
Scottish Ontario & Manitoba Land Co.....	Glasgow....	916,701	12,166
Bristol & West of England Can. Land Mortgage & Inv. Co. ....	Bristol ....	136,023	21,900
<i>Royal Charter</i>			
Trust & Loan Co. of Canada.....	London, Eng.	1,581,666	852,427

The companies are not subject to an examination of their affairs by a public officer, as in the United States. But the Ontario Building Societies Act provides for the appointment of auditors by the shareholders, generally at the annual meeting, and also for the interposition of the Provincial Treasurer in case of evidence showing that a company is not in fit condition to continue its business.

That the formation of so many companies has been facilitated is perhaps to be regretted. It is always to the advantage of a country to have monetary institutions of undoubted strength, and the multiplication of their number beyond the point which provides for legitimate competition must tend either to weaken them, or, by increasing the relative cost of management and the relative amount on which dividends have to be paid, to maintain the rate of interest charged at a higher figure than it

might be reduced to if the operations conducted were greater in proportion to the capital invested.

The profits of the companies arise from loaning out on the security of real estate, bonds, stocks, etc., (a) the paid in capital, and (b) the money borrowed on debentures, debenture stock, or by way of deposits. A practice which prevails among the United States companies of selling individual mortgages at a lower rate of interest than that which the company contracted for, and taking the difference as profit, does not obtain in Canada. The usual rate of interest paid on debentures and debenture stock is four to five per cent., the average rate for 62 companies for 1893 being 4.51. The rate of interest on deposits for the same year was somewhat less, the average being about four per cent. Since then, however, some of the companies have reduced their rate to  $3\frac{1}{2}$  per cent. The rate of interest received on mortgage loans has, so far, seldom been below six per cent. in the East, and eight per cent. in Manitoba and the West generally, the average rate obtained by 62 of the principal companies in 1893 on all their business being 6.35 per cent. Taking the 1893 reports as a basis, therefore, there is a difference in favor of the companies between the rate of interest paid and the rate received of about two per cent. This difference is large when placed beside the half of one per cent. gross to which the *Credit Foncier* is restricted by the French law, and the contrast serves to illustrate forcibly the advantage to the borrower of limited competition in business of this kind, with proper regulations to prevent the abuses of a monopoly. The dividends paid by 69 of the Canadian companies in 1893 ranged from 5 per cent. to  $11\frac{1}{2}$  per cent., the latter rate being paid by only one company. The average for the 69 companies was 6.79 per cent. In 1887 the average dividend paid by 60 companies was 7.08 per cent. The figures for an earlier period have not been ascertained, but there is no doubt that with the general fall in interest which has been going on for many years back, the margin of profit on loan company business in this country has also been steadily declining. To this fact is probably due the tendency towards amalgamation among the companies which has been referred to.

The growth of loan companies in this country has been very marked. As has already been noted the Government returns, which form the only accessible source of information on the subject, are imperfect and unsatisfactory. Still they indicate the great increase which has taken place in the business of late years. A steady rise in total loans from \$15,000,000 in 1874 to \$115,000,000 in 1893, while the value of the total property owned increased during the same period from \$759,000 to \$17,900,000, points to a tremendous change in the economic condition of the country, and is not to be explained by merely incomplete reports. The development, however, has not been uniform throughout the Dominion. The accompanying tables show the distribution of the business among the three provinces of Ontario, Quebec and Nova Scotia in 1893. While the Ontario companies have been growing year by year, there has been practically no change in Quebec and Nova Scotia since 1881, when the Credit Foncier Franco-Canadien was established in Quebec. The reason for this probably varies in the two provinces, although in both the character and habits of the people have had most to do in producing the general result.

In Quebec the law operates against mortgage business by making a sheriff's sale cancel all liens on property, thus throwing on the mortgagee the obligation of watching constantly lest his security be sold without his knowledge for less than sufficient to cover the mortgage. Improvements on real estate, also, if made after the mortgage is effected, constitute a prior lien. The principal causes, however, are to be found in the backward state of agriculture; the lack of desire on the part of the habitant to raise himself from the rut which his fathers followed; the little new blood which enters the province; and the practice of subdividing the farms on the death of the owners. The question as to whether happiness is best promoted by progress, or by contentment with things as they are, is of course excluded here. But anyone who has travelled down the St. Lawrence and has seen the long, ribbon-like farms, with piles of stones down the centre, the sickly crops of hay and oats, the industrious habitant wielding his primitive scythe and cradle, and the ill-conditioned apology for horse-flesh, will have no difficulty, when he remembers that progress and prosperity in

*Liabilities, by Provinces, for the Year 1893*

Provinces	Number of Companies	Capital Stock Subscribed	Capital Stock fully paid up	Amount paid on Capital Stock not fully paid up	Accumulating Stock	Reserve Fund	Dividends declared and unpaid	Profits on Accumulating Stock	Contingent Fund and unappropriated Profits	Liabilities to Stockholders
Ontario .....	72	\$ 87,345,402	\$ 18,985,228	\$ 13,980,683	\$ 690,732	\$ 10,397,000	\$ 989,488	\$ 46,873	\$ 949,356	\$ 46,039,363
Quebec .....	8	6,220,249	955,960	1,422,880	86,057	523,855	27,265	19,152	219,151	3,274,321
Nova Scotia..	2	201,000	.....	100,500	616,548	10,000	2,512	.....	4,646	734,207
Grand Total	82	93,766,651	19,941,188	15,504,063	1,393,337	10,930,856	1,039,266	66,025	1,173,155	50,047,892

Provinces	Deposits	Debentures Payable in Canada	Debentures payable elsewhere	Debenture Stock	Interest on Deposits, Debentures and Debenture Stock	Owing to Banks	Other Liabilities	Liabilities to the public	Total Liabilities
Ontario .....	\$ 17,932,089	\$ 9,355,629	\$ 42,942,963	\$ 2,613,395	\$ 790,265	\$ 162,764	\$ 661,006	\$ 74,658,113	\$ 120,697,477
Quebec .....	477,230	270,372	6,465,435	.....	18,041	.....	144,241	7,375,322	10,649,643
Nova Scotia.....	122,253	202,100	.....	.....	4,254	.....	500	329,108	1,163,315
Grand Total.....	18,531,573	10,028,102	49,408,398	2,613,395	812,562	162,764	805,748	82,362,544	132,410,436

Liabilities of the Scottish American Investment Company (Limited) not included

## Assets, by Provinces, for the Year 1893

PROVINCES	Number of Companies.	A Current Loans secured on							B Property owned			
		Real Estate	Dominion Securities	County or City Securities	Township or Village Securities	School Section Securities	Loan Companies Debentures	Loans to Shareholders on their Stock	Otherwise secured	Total	Dominion Securities	Provincial Securities
Ontario .....	72	\$ 100,782,388	\$ .....	\$ 276,478	\$ 232,163	\$ 8,493	\$ 17,174	\$ 671,214	\$ 3,042,942	\$ 105,030,856	\$ 354,910	\$ 26,553
Quebec .....	8	9,152,712	.....	.....	1,000	.....	.....	82,934	90,431	9,327,079	.....	244,828
Nova Scotia ..	2	981,458	.....	.....	.....	.....	.....	.....	7,391	988,850	.....	.....
Total .....	82	110,916,559	.....	276,478	233,163	8,493	17,174	754,149	3,140,766	115,346,786	354,910	271,381

PROVINCES	B property owned										Total Assets	
	County or City Securities	Township or Village Securities	School Section Securities	Loan Companies Debentures	Office Furniture and Fixtures	Cash on hand	Cash in banks	Office Premises	Loans secured on Real Estate held for Sale	Other Property	Total Property owned	Total Assets
Ontario .....	\$ 1,016,160	\$ 694,211	\$ 197,877	\$ 236,011	\$ 41,835	\$ 84,077	\$ 2,024,004	\$ 1,476,513	\$ 3,298,424	\$ 7,101,148	\$ 16,506,469	\$ 121,537,325
Quebec .....	.....	.....	.....	.....	915	2,983	616,208	32,636	27,533	397,459	1,322,504	10,049,043
Nova Scotia .....	.....	.....	.....	.....	410	75	2,407	8,609	17,726	45,237	74,465	1,063,315
Total .....	1,016,160	694,211	197,877	236,011	43,160	87,136	2,642,619	1,517,759	3,298,424	7,543,845	17,903,499	133,250,285

the people as a whole are essential to the healthy continuance of any business depending on the public for support, in arriving at a conclusion as to why the loan companies' operations are not more extended in the province.

As regards Nova Scotia, Mr. John Knight, cashier of the Peoples Bank of Halifax, in the course of an interesting letter on the subject, says that "the Nova Scotian knows more than a little about many things, and thinks he knows everything." Among the things that he apparently knows is how to borrow, but he doesn't patronize loan companies, partly, perhaps, because he hasn't become accustomed to them and is a little shy of novelties. He goes rather to the private money lenders, who are said to be numerous in the province. Among the things he would appear not to know is that to encourage loan companies would have a tendency to lower ultimately the rate of interest he has to pay, by bringing into the province a considerable amount of additional capital. The people of Nova Scotia and of Quebec are similar in at least one respect; they do not change rapidly. Few immigrants come to either province, and as a rule the new arrivals do not stay. This living within themselves of course tends to conservatism in habits, and operates against the success of new ventures which depend upon the patronage of a large clientele.

Ontario, on the other hand, is restless and enterprising. Her lands, too, are more fertile, more valuable, and greater in extent, and her population more numerous and more subject to change than is the case in Quebec and Nova Scotia. All these features provide a greater basis for borrowing upon, and her people, a large proportion of whom are immigrants, or the descendants of immigrants from England and Scotland, where the practice of borrowing on the security of real property is common, are not slow to avail themselves of the fact. It would be interesting, if it were possible, to have the purposes for which the mortgages were put on the land tabulated for the different provinces. Such a statement would probably show very distinctly the reason why the mortgage indebtedness of one part of the country is, proportionately to its wealth, so much larger than that of others. In Ontario, if the writer's experience in one of the western counties can be taken as a criterion

of the whole Province, by far the greater part of the mortgage debt of the farmers—and it is with the farmers that we mainly have to do in this matter—represents either a portion of the purchase money for their farms, or else legacies which the son who inherited the homestead had to pay the other members of the family.

It would also be interesting to know the amount of mortgages held by private individuals. A recent estimate for the United States puts the amount held by private investors at 73 per cent. of the whole. The percentage in Canada would probably not be so high; still even in Ontario, where the loan company flourishes most, a very large proportion of the mortgages is in the hands of private people.

While contrasting the conditions, especially the agricultural conditions, of Ontario, Quebec and Nova Scotia, the following table, taken from the census of 1891, showing the quantities of some of the principal crops produced in each province, together with the area and population, may not be out of place:

	ONTARIO	QUEBEC	NOVA SCOTIA
	Area 219,650 sq. mls. Population 2,114,000	Area 227,500 sq. mls. Population 1,488,000	Area 20,550 sq. mls. Population 450,000
Wheat (bushels).....	21,314,000	1,568,000	700,000 est'd.
Barley ".....	13,423,000	1,505,000	227,000
Oats ".....	47,140,000	16,825,000	1,559,000
Rye ".....	1,064,000	213,000	23,000
Peas and Beans (bush).....	13,424,000	1,886,000	44,000
	96,365,000	21,997,000	2,553,000
Potatoes (bushels)....	17,580,000	15,025,000	4,920,000
Hay (tons) .....	3,465,000	2,243,000	632,000

There are no returns showing the loan company business done in the western provinces, partly because, as already stated, the local companies there will not report to the Dominion Government, and partly because the principal portion of the business is done by Ontario companies, and this brings out another important feature of the Canadian loan company system as compared with that of the United States. The two systems are similar in that they facilitate the formation of many comparatively small companies, and in that they permit the issue of debentures and the taking of deposits, but in most other points they differ. In the course of a very full discussion



of "Mortgage Banking in America" in the March, 1894, number of the *Journal of Political Economy*, Mr. D. M. Frederiksen says:—

"Under an ideal system of mortgage banking, the capital available for permanent investment would be distributed where most needed. But the actual facts are different, and there is considerable friction impeding the free movement of such capital. In one part of the country the rate of interest paid on a mortgage loan is, with equal security, twice as high as another. So that in America the making of a mortgage loan is essentially a *local* transaction."

In Canada the case is different. The Ontario loan companies reach out from Nova Scotia in the east to British Columbia in the west, supplementing wherever necessary the capital of local concerns. In the returns for 1893, made to the Ontario Government by 24 companies, out of total loans of \$64,000,000—\$20,000,000 represented loans outside the Province. The effect of this national character of the Canadian companies is seen in the absence of such striking disproportion between the rates of interest paid in the east and in the west, as is noted by Mr. Frederiksen. As already stated, the rate does not vary in the different parts of Canada more than two per cent. at the outside, which does not more than mark the difference in the security.

The debentures issued by the companies are, as a rule, drawn for terms of three, five, seven or ten years, agreeing in this respect with those issued by the United States companies. In Europe land mortgage company bonds have an average life of 25 years or more. Canadian debentures must be for amounts of not less than \$100; they are not known to be specially secured in more than one case and in that instance, as the company does not borrow in other ways, the holders are not much benefited by the security. The debentures are mostly held by the landed gentry in England and Scotland, especially Scotland. The total amount borrowed in this way, outstanding in 1893, was \$59,436,500, of which \$49,408,398 was payable outside Canada, and therefore, presumably, represented capital brought into the country. The addition of so large a sum to the available means of the country must have had a considerable effect

upon its industries, especially upon agriculture, and is a service for which the companies scarcely get as much credit as they deserve. The "Canada Permanent" claims to have been the pioneer in entering the English market, and takes a justifiable pride in the reflection that the high credit which it established there did much to make it possible for the other companies to swell the total amount borrowed from the old country investor to the above figure. The debentures are not listed anywhere, and they realize neither more nor less than their face value. As a rule they mature at only two half-yearly dates—generally in May and November.

The high esteem in which many of the companies stand in England and Scotland, as shown by the ease with which their securities are disposed of, is also shared in Canada.

The stocks, even of the best of them, do not, indeed, command as high a premium, in proportion to the dividend paid, as the stocks of the chartered banks, but this is rather a tribute to the standing of the banks than a reflection on the loan companies, since the stocks of the latter, when the capital is fully paid-up, do not yield a greater return than is usual from a good mortgage.

Probably the weakest point in the legislation governing loan companies, is the permission to take deposits. It would seem reasonable to suppose that the same considerations which led the framers of the Bank Act to prohibit loaning by the chartered banks on the security of real estate, should be sufficient to withhold from the loan companies power to receive deposits. It is of the essence of the credit system that the currency of assets should not be longer than the currency of liabilities, and where this principle has been neglected the result has invariably been trouble in the long run. Some of the larger and better managed loan companies have realized their responsibilities in this respect by keeping constantly on hand a cash, or the equivalent of cash, reserve of sufficient amount, but as a rule it may be said that the presence of an amount of cash sufficient to form a reasonable reserve in the hands of a company is due to accident and not design. An examination of the returns for 1893 shows how very general is the disregard of this most important matter. These returns (to the Dominion Government),

comprise, as already stated, 82 companies, 23 of which do not take deposits at all. Of the 59 that do, 24, showing an aggregate of \$8,619,243 in deposits, held in cash and municipal debentures \$332,268, or less than four per cent. Grouping these 24 companies so as to show more clearly how the above average is made up, gives the following interesting result :

No. of Companies	Aggregate of Deposits	Amount of Reserve	Percentage
6	\$1,073,554	\$ 2,257	$\frac{1}{4}$ of 1%
4	888,673	7,914	1%
7	2,517,518	55,416	2 $\frac{1}{4}$ %
3	2,700,050	138,920	5%
3	1,309,800	112,942	9 $\frac{1}{4}$ %
1	129,648	14,819	11%
	<hr/> \$8,619,243	<hr/> \$332,268	<hr/> 4%

While it may be quite true that the investments made by the above companies are eminently sound and judicious so far as their ultimate safety is concerned, there can be no doubt that by grossly neglecting so vital a point as the maintenance of a proper reserve, the companies not only endanger their own credit, but also run the risk, should difficulty overtake them, of discrediting the whole loan company system of Canada.

It may be said that they rely on their bankers for assistance, but if their bankers were not able to assist them, what then ? It is not in normal times that a reserve is actually needed, but in times of distrust, and it is when confidence is shaken that the banks have to strengthen their own position, and are least willing to lend money to a corporation which has all its assets invested in long-date real estate securities.

Some of the companies—nearly all of them in fact—retain the privilege of exacting notice of withdrawal from their depositors, but ordinarily the power is not used. They probably depend to some extent upon this for protection in case of difficulty, but experience has shown in other countries that reliance upon a reserved power of this kind is unsafe, and not at all calculated to inspire public confidence in the management of a corporation that uses it. The history of the United States savings banks during the summer of 1893 affords a good lesson in this respect. The experience of the Australian banks during the late crisis also points the same moral. In the case of the

Australian banks many of their deposits were of a special character, taken for a specific term of one or more years. Frequently, however, the depositor found that he needed the money before the term expired, and from an original desire to accommodate, it grew into an established custom among the banks to rebate deposits of this class whenever requested to do so. There was still, of course, the reserved power of refusal to pay on demand, but when the crisis came the banks found that they dare not assert it, and had to pay their fixed deposits as they did their ordinary deposits, on demand, or else suspend. The fact is that notice of withdrawal, to be effective, must be required constantly, otherwise the demand for it is recognized at once as a desperate resource.

Reference has already been made to the land mortgage company system of the United States. It may not be out of place to see how that system has worked so far.

The report of the New York State Superintendent of Banks in 1891, mentioned 167 companies doing business throughout the Union, distributed as follows :—

Kansas.....44	Texas.....3	Georgia.....1
Missouri.....22	Minnesota....9	Florida.....2
Nebraska.....23	Colorado.....7	Vermont.....1
Iowa.....18	Illinois.....1	New Hampshire 4
North Dakota...10	Montana.....1	Massachusetts..3
South Dakota.. 8	Washington..5	Connecticut....5

The laws under which these companies are incorporated emanate from the different states. Most of the companies, however, extend their operations into the surrounding States, and many of them that are incorporated in the West take out licenses to do business in the wealthy Eastern States, where they can dispose of their securities with greater ease than in their own neighborhood. These securities are mainly individual mortgages, guaranteed or unguaranteed by the company negotiating them, and debentures nominally secured by pledge of mortgages in the hands of trustees.

As regards the special security given for debentures, it may be remarked in passing that the plan does not appear to have worked well in the United States. The trustees do not value the securities pledged, but simply hold whatever is placed in their hands, and, according to the Massachusetts Report for

1894, "it is behind debentures that the poorest securities are found in mismanaged companies."

One of the principal points in the United States as contrasted with Canadian business, is that in the case of the former most of the companies are organized in the West, and do very little lending in the East, whereas in Canada the great majority of the companies are formed in the East. This is no doubt owing largely to the fact that land mortgage companies in the United States are of quite recent date, and that the rapidly filling western States presented opportunities for establishing a profitable business which did not occur in the East, where the field was already occupied by other institutions. The first issue in the United States of debenture bonds, which are the distinctive feature of land mortgage company business, is said to have been in 1881.

There seems to be, in some of the States at least, if not in all, no minimum amount of paid in capital required from the companies before commencing business, and the result is that there are a number of companies operating on a capital which, judged by our standards, is altogether inadequate. There are also apparently no restrictions on their borrowing. One company whose statement appears in the Massachusetts Report for 1895, shows a capital paid in of \$3,000, with no reserve liability of stockholders, on the strength of which it has borrowed \$32,500 on debentures, and \$14,700 on bills payable. Although only organized three years previously, it claims \$84,000 in surplus profits, and has managed to roll up an account in its favor for past due interest of \$21,000!

In most of the States the companies are subject to Government examination, which, especially in the Eastern States, is often very effective. In both New York and Massachusetts the examiners have authority to issue and revoke licenses of foreign mortgage companies (*i.e.* companies organized under the laws of other States), and they apparently do not allow their powers to grow rusty. These officials are required to report annually to their State Legislature, and some of the reports thus made are very interesting as showing the history, character and methods of the institutions referred to. As it is not intended to enter upon an exhaustive examination of the United

States companies, but merely to give what must necessarily be a limited view of the general results which the land mortgage company system has attained in that country, our object will, perhaps, be advanced by quoting direct from some of the State reports.

The Massachusetts report for 1895 in reviewing the situation says: "This office (commissioner of foreign mortgage corporations) was established nearly six years ago, at a time when the investments of the people of this commonwealth in western mortgages amounted to ten or twelve million dollars annually. At the start some 75 foreign corporations were engaged in the business in this State, and in all 111 corporations have been under the supervision of the office during its existence up to date. Of these 111 corporations, 24 are to my knowledge still carrying on business. Four or five others may be still in active existence, but I have not been able to ascertain definitely about them. One company while in good condition gave up business on account of the hostile legislation of the State of Kansas. The *remainder have failed* and are either wound up entirely or are dragging along in the slow process of settlement and liquidation."

Among the causes of failure are enumerated the general depression; failure to bring the high plains of Kansas, Nebraska and Colorado under cultivation; the real estate boom; but above all "a reckless management or mismanagement of the affairs of many of the companies." What direction the mismanagement took may be inferred from the 1894 Report. Referring to four companies which failed during the year the commissioner says: "These four companies in their report of a year ago, carried on their books as assets 'stocks and bonds' at a valuation of \$7,163,131, while their total capital stock at the same time was \$8,705,350. The stocks and bonds so carried were of almost every description, national and savings banks, railroad, land, irrigation, coal mining companies, etc., etc., some good, some bad, some very bad, and were largely of corporations in which the officials of the company had personal interests"; while the 1895 Report states that "it is a noteworthy fact that the sound companies still in existence are those which have confined themselves most exclusively to loans upon farms, or to prudent loans on real estate."

New York does not appear to have presented so good a field for branches of these companies as Massachusetts. In 1893, when the latter licensed 43 companies, New York only reported 28. Of the 28, 18 have disappeared, leaving only 10 for 1895.

Although the conditions surrounding land mortgage companies in Europe are so very different from the conditions existing in America as to afford no fair basis for comparison in most respects of the work done by these companies on the two continents, a very brief reference to the companies in France and Germany, where land mortgage business is most prominent, may not be altogether profitless. The facts are taken from Mr. Frederiksen's paper, already referred to.

In France the Credit Foncier has a practical monopoly of the business, but its operations are restrained by strict legal regulations. Its president is appointed by the Government, and the profits it may charge are limited to one-half of one per cent. gross. The following are some of the items from its balance sheet in 1890:

Capital .....	170,500,000 francs
Surplus .....	35,277,977 "
Bonds outstanding, based on mortgages..	2,011,316,084 "
" " " loans to com- munes, departments, etc .....	1,000,529,708 "

The shares are worth double their nominal value, the bonds draw three and four per cent. interest, the four per cents. being quoted at 104. Combined with these very satisfactory features, from the shareholders' point of view, is the fact that the borrower has to pay only four and one-half per cent. interest on his loan.

There is no monopoly in Germany, but in other respects the system to a great extent resembles that of France. There are about 30 mortgage banks in Germany, from the combined balance sheets of which, in 1890, the following figures are taken :

Capital .....	332,546,628 marks
Bonds, based on mortgages .....	2,831,479,902 "
" " loans to municipalities ..	35,393,600 "

The great bulk of the bonds bear three and one-half and four per cent. interest, the latter being quoted at one to two

per cent. premium. These bonds are said to be regarded in Germany as one of the safest forms of investment, ranking very little below Government bonds bearing a similar rate of interest.

The market value of the capital stock of these concerns is not given. The rate of interest charged on loans is said to be less than in France.

Although, as has been remarked, the conditions are so dissimilar as to afford in most respects no fair basis for comparison between the results attained by land mortgage companies on the two continents, the broad fact remains that it would have been impossible for the French and German companies to reach and retain the high credit which they enjoy, and to prove so eminently satisfactory alike to shareholders and borrowers, if their business had been divided among a number of comparatively small competitors.

## II

### GOVERNMENT SAVINGS BANKS

IN these days when banks of all kinds are so numerous and form so essential a part of the commercial system, it is rather startling to remember that savings banks date no further back than the beginning of the present century, the first proposal to establish one being attributed to the Reverend Joseph Smith, of Wendover, in 1799. Government savings banks, however, are of a much more recent origin than this. The mother of them all is said to be the Post Office savings bank of the United Kingdom, which was created by Act of Parliament in February, 1861, and a tolerably prolific mother she has been. Her offspring are to be found, among other countries, in France, Belgium, Italy, Netherlands, Sweden, Australasia and Canada, and in every case, if a steady increase in deposits can be accepted as a measure of success, they have been successful.

The Act which brought the Post Office savings bank in Canada into existence was passed on the 20th December, 1867, during the first session after Confederation, its provisions being confined to the provinces of Ontario and Quebec. In September, 1885, Nova Scotia and New Brunswick were taken into the



system, and subsequently the other provinces and the territories were included. In 1893 the offices numbered 673, distributed as follows:—Ontario, 420; Quebec, 115; Nova Scotia, 44; New Brunswick, 30; Manitoba, 22; British Columbia, 15; Prince Edward Island, 7, and the territories, 20.

Prior to the establishment of the Post Office savings bank, a Government savings bank connected with the Finance Department had been in operation, with branches principally in the maritime provinces. This institution is now being gradually absorbed by the Post Office savings bank, as the position of superintendent at each of its branches becomes vacant. Since 1888, when the process of absorption was begun, fourteen offices, with aggregate deposits of over \$2,000,000, have been transferred to the Post Office Department.

The following table shows the number of depositors in each of the Government savings banks by provinces, the amount on deposit and the proportion of that amount per head of the population on 30th June, 1893:—

*Post Office Savings Bank, 1893*

Provinces	Number of Offices	Number of Depositors	Amount on Deposit	Average Amount to each Depositor	Average Amount per head of population
			\$	\$ cts.	\$ cts.
Ontario .....	420	86,403	17,547,380	203 09	8 13
Quebec .....	115	16,914	4,107,160	242 82	2 70
Nova Scotia .....	44	4,978	1,126,547	226 30	2 49
New Brunswick ....	30	3,137	870,501	277 49	2 71
Manitoba .....	22	645	76,044	117 80	0 43
British Columbia ....	15	1,643	352,438	214 51	3 08
Prince Edward Island	7	76	9,063	119 25	0 08
The Territories .....	20	479	64,061	133 74	0 59
Totals for 1893....	673	114,275	24,153,194	211 36	4 87
" 1892....	642	110,805	22,298,401	201 24	4 55
" 1891....	634	111,230	21,738,648	194 44	4 48
" 1890....	494	112,321	21,990,653	195 78	4 59
" 1889....	463	113,123	23,011,422	203 41	4 85
" 1888....	433	101,693	20,689,032	203 44	4 41

*Government Savings Bank, 1893*

Provinces	Number of Offices	Number of Depositors	Amount on Deposit	Average Amount to each Depositor	Average Amount per head of population
			\$	\$ cts.	\$ cts.
Ontario .....	1	1,632	554,314	339 65	0 25
Nova Scotia .....	24	23,818	7,206,998	302 59	15 92
New Brunswick ....	10	16,372	6,300,305	384 82	19 61
Manitoba .....	1	3,726	691,639	185 62	3 89
British Columbia....	1	3,009	696,092	231 33	6 07
Prince Edward Island	2	6,482	2,247,116	346 67	20 59
*Totals for 1893..	39	55,039	17,696,464	321 53	3 56
" 1892..	39	54,796	17,231,146	314 46	3 51
" 1891..	40	56,149	17,661,378	314 54	3 64
" 1890..	41	57,297	19,021,812	331 99	3 97
" 1889..	44	58,114	19,944,934	343 20	4 21
" 1888..	50	57,367	20,682,025	360 52	4 41
*Grand total Post Office and Government savings banks combined—					
1893.....	712	169,314	41,849,658	247 17	8 43
1892.....	681	165,601	39,529,547	238 70	8 06
1891.....	674	167,379	39,400,026	235 40	8 13
1890.....	535	169,618	41,012,465	241 80	8 56
1889.....	507	171,237	42,956,356	250 86	9 06
1888.....	480	158,060	41,371,057	260 10	8 82

The next table shows the comparative growth of deposits in the two Government institutions since Confederation, to which has been added the deposits in special savings banks, principally, almost entirely in fact, made up of the deposits held by the City and District Savings Bank in Montreal and La Caisse d'Economie de Notre Dame de Quebec.

\*The total population of Canada is used in working out the amounts per head.

*Deposits with the Undermentioned Savings Banks*

Year ended 30th June	Post Office Savings Banks	Other Government Savings Banks	Special Savings Banks	Totals
	\$	\$	\$	\$
1868.....	204,589	1,683,219	3,369,799	5,057,607
1869.....	856,814	1,694,525	3,960,818	6,412,157
1870.....	1,588,849	1,822,570	5,369,103	8,780,522
1871.....	2,497,260	2,072,037	5,766,712	10,336,009
1872.....	3,096,500	2,154,233	5,557,126	10,807,859
1873.....	3,207,052	2,958,170	6,768,662	12,933,884
1874.....	3,204,965	4,005,296	6,811,009	14,021,270
1875.....	2,926,090	4,245,091	6,611,416	13,782,579
1876.....	2,740,952	4,303,166	6,519,229	13,563,347
1877.....	2,639,937	4,830,694	6,054,456	13,525,087
1878.....	2,754,484	5,742,529	5,631,172	14,128,185
1879.....	3,105,191	6,102,492	5,494,164	14,701,847
1880.....	3,945,669	7,107,287	6,681,025	17,733,981
1881.....	6,208,227	9,628,445	7,685,888	23,522,560
1882.....	9,473,661	12,295,001	8,658,435	30,427,096
1883.....	11,976,237	14,242,870	8,791,045	35,010,152
1884.....	13,245,553	15,971,983	8,851,142	38,068,679
1885.....	15,090,540	17,888,536	9,191,895	42,170,971
1886.....	17,159,372	20,014,442	9,177,132	46,350,946
1887.....	19,497,750	21,334,525	10,092,143	50,924,418
1888.....	20,689,033	20,682,025	10,475,292	51,846,350
1889.....	23,011,423	19,944,934	10,761,061	53,717,419
1890*.....	21,990,653	19,021,812	10,908,987	51,921,452
1891.....	21,738,648	17,661,378	10,982,232	50,382,258
1892.....	22,298,402	17,231,146	12,236,100	51,765,648
1893.....	24,153,194	17,696,464	12,823,836	54,673,494

The amount per head of the population was in 1871 \$2.96; in 1881, \$5.44, and in 1891, \$10.42. In 1893 it was \$11.02 per head.

An examination of these two tables is very interesting, as showing the degree to which the Government savings bank, with a comparatively trifling number of offices, held its own in point of volume of deposits with the rapidly enlarging Post Office savings bank. It will be noted that in 1888, when the first steps were taken to amalgamate the two institutions, the aggregate amounts on deposit in each were almost identical, yet the Post Office savings bank had 433 offices open, while the branches of the Government savings bank numbered only 50.

\*Rate of interest on deposits in post office and other Government savings banks reduced from 4 per cent. to 3½ per cent.

It will be observed also that the very large proportion of deposits held in the maritime provinces tends to confirm the statement made in the previous part of this paper, which referred to the presence of numerous private money lenders as a reason for the non-development of loan company business in those provinces.

Combining the figures for the two institutions, the average amount at the credit of each depositor, and the average per head of population was for 1893, by provinces, as follows :—

	Per Depositor	Per Head of Pop.
Ontario.....	205.61	8.18
Quebec .....	242.82	2.70
Nova Scotia .....	283.40	18.41
New Brunswick.....	367.46	22.32
Manitoba.....	175.63	4.32
British Columbia .....	225.40	9.15
Prince Edward Island .....	344.03	20.67
Territories .....	133.74	.59

The proportions, interesting as they are, would be still more so were it possible to separate in a similar manner the deposits in other concerns. One would then arrive at a decided opinion as to whether the large per capita percentage in the maritime provinces is due to greater wealth among the population or to a preference for the Government savings banks over the chartered banks and loan companies.

As regards the comparatively small aggregate and per capita deposits in the province of Quebec, the views of Mr. Cunningham Stewart in 1884, the then superintendent of the Post Office savings bank, expressed in a paper read before the Economic section of the British Association at its meeting in Montreal, may be mentioned. He said :—

“ The people of the province of Quebec—that is, those of French-Canadian nationality, who represent five-sixths of the population of that province—are eminently frugal and simple in their manner of living and expenditure. While neither the same gross nor a like average amount of deposits could be looked for as in the richer province of Ontario, it might be expected that the French-Canadian rural population would, nevertheless, use the Post Office savings banks to a larger extent than the official records show to be the case. The old-

established savings banks in the cities of Montreal and Quebec have already been mentioned as having deposits of \$9,250,000. The depositors in the former number (according to returns published on 31st December, 1883) 29,756, of whom 18,357 are of French-Canadian nationality, a large percentage being from the country districts round Montreal. Of the 12,541 depositors in the Quebec savings banks it may be believed that those of French-Canadian nationality are a large majority.

"It is possible that the French Canadian rural population, accustomed for generations to the institutions and simple customs inherited from their parent country, France, and to the system which makes the village notary to them the visible and personal medium through whom are executed on the spot all legal forms, do not grasp the abstract idea of a savings bank at the seat of government perhaps many hundred miles distant, which guarantees perfect security to their deposits from the moment when handed to the village postmaster. Having little contact with immigrants from the British Isles, the rural population of the province of Quebec have not, moreover, the opportunities of becoming familiar with the working of post office savings banks, which association with persons themselves depositors would afford."

To this may be added the fact noted by Mr. Stewart at the time, and which probably holds good now, that half the province of Quebec deposits in the Post Office savings bank were held in the cities of Montreal and Quebec.

Ontario, if one considered only her relative wealth, might be expected to show larger deposits in proportion to her population, but to anyone who has had any experience in country banking the figures are not surprising. Individual deposits in Ontario, as a rule, do not possess the element of permanency in any great degree. Many of them merely represent money which has been gathered together to meet some obligation not yet matured, and others are only awaiting an opportunity for investment in securities bearing a higher rate of interest. To a depositor in the Post Office savings bank, who finds it necessary to withdraw a whole or part of his deposit even once or twice a year, the delay and formality attending the process becomes irritating, and, when contrasted with the ease and sim-

plicity with which the same operation is performed in a chartered bank, in most cases ultimately effects a transfer of the deposit to one of the latter institutions.

The relation which the amount of deposits in the two Government savings banks bears to the deposits in other institutions is as follows :—

Chartered Banks (1893).....	\$174,776.722
Government Savings Banks (1893).....	41,849,658
Loan Companies (1892).....	19,747,167
Special Savings Banks (1893) .....	12,823,836
	<hr/> \$249,197,383

In 1884 an approximate classification of the depositors in the Post Office savings bank, according to occupation, was made, with the following result; the figures are, however, only approximate. A similar compilation has not since been attempted owing to the amount of labor involved. The number of depositors and the amount on deposit have doubled in the last eleven years; but in all probability the proportions borne by the different classes to the whole have not varied very greatly.

Occupation	No. of Depositors	To Credit of each Class	Average of each Class
		\$	
Farmers.....	14,000	4,722,000	337
Mechanics.....	7,850	1,422,000	181
Trust accounts and young children..	5,500	170,000	31
Laborers, including sailors .....	4,270	724,000	169
Clerks.....	3,000	522,000	174
Tradesmen .....	1,600	468,000	293
Farm and other male servants.....	1,470	277,000	188
Professional .....	1,572	392,000	249
Miscellaneous .....	1,680	215,000	128
Married women .....	12,000	2,350,000	196
Single women .....	10,500	1,275,000	120
Widows .....	3,240	708,000	214
	<hr/> 66,682	<hr/> 13,245,000	

The most striking feature exhibited in the above table is the large number of accounts held in the name of women. Mr. J. Cunningham Stewart in the paper mentioned suggested that

an explanation of the fact might be found in the difficulty which farmers and artisans experience in leaving their work to visit the post office, the money which really belonged to them being consequently lodged in the names of their wives or other female members of their families. The explanation is plausible, but in the writer's opinion, which is founded on experience, a better one could be derived from the natural timidity of women in money matters, taken in connection with the prestige attaching to an institution directly under Government control.

The machinery by which the system is worked is cumbersome as compared with that employed by private corporations. The accounts are all kept at Ottawa, and although deposits are received at a multitude of post offices throughout the country, the postmasters who receive them are not given power to bind the Government in any way, the onus of seeing that the money reaches its destination being thrown entirely on the depositor. In fact the Government, by statute, has divested itself entirely of responsibility in connection with the deposits. A depositor hands in his money to the postmaster, and has to wait two or more days for a valid receipt. He sends in notice of withdrawal, and has to wait the same length of time for a cheque, which is cashed by the nearest bank. If the postmaster to whom he gives the money pockets it, the depositor loses the amount, unless the Government voluntarily reimburses him. If somebody else presents his pass-book and by forging his name obtains possession of the deposit, the depositor, not the Government, is responsible. In all cases, of both kinds, which have occurred so far, the Government has eventually paid the loss, but it is at perfect liberty to refuse to do so if it chooses.

Interest on deposits is now at the rate of three and one-half per cent. Interest begins on the first of the month following that in which the deposit is made, and ceases on the last of the one immediately preceding that in which a withdrawal is effected. This process brings the net rate of interest paid down to about 3.40 per cent. The annual cost of management being about .25 per cent. of the amount at credit of depositors, the money costs the country, as nearly as can be estimated,

3.65 per cent., as against 3.27 paid on the \$4,000,000 loan floated in England in 1888, and 3.43 on the \$2,250,000 borrowed in 1892.

Deposits are restricted to \$1,000 in any one year, and to an aggregate of \$3,000 in all. In England the limits are £50 and £200 respectively. In France the limit for individual deposits is \$400. In the Australasian colonies the limit varies, the highest being £250 for a total deposit.

In Canada, as in England, there are provisions whereby a depositor, when his deposit has reached the maximum, can, without expense, purchase Government stock with the money at his credit, and then begin again to deposit in the savings bank; but the restrictions in the Post Office savings bank proper are as stated.

The minimum amount received is one dollar; there is no system, as in England, of accumulating fractional sums by means of postage stamps until the minimum is reached.

The following table gives an interesting comparative view of the position of Government savings banks in some of the principal countries where these institutions have been established. It will be observed that the average amount due each depositor in Canada is nearly twice as large as in Australasia, and nearly four times as large as in Great Britain, which comes third on the list. The figures tend to show that the Canadian Post Office savings bank does not depend for its patronage upon those who might possibly be looked upon as forming a class which required paternal legislation in order to guard their interests, but that its depositors are drawn more from the well-to-do classes, and, presumably, more from the intelligent classes, than is the case in other countries. The table refers to the year 1892.

	Number of Depositors	Amount due Depositors	Average amount due each Depositor
Canada .....	165,601	\$ 39,529,547	\$238 70
Australasia .....	708,509	86,986,255	122 77
Italy .....	2,521,798	66,943,013	26 58
Netherlands .....	354,483	11,267,332	31 44
Sweden .....	300,299	1,461,460	17 55
Great Britain .....	5,452,316	369,151,256	67 30

The Canadian Post Office savings bank was the direct



outcome of the establishment of the parent institution in the United Kingdom, and was not called into existence by the urgency of any conditions in the country itself. The English proposal had its origin in the frauds perpetrated on the public under the old Trustee savings banks. The Act in which the scheme was embodied is entitled "an Act to grant additional facilities for depositing *small savings* at interest, with the security of the Government for the due repayment thereof." Had the experience of depositors in the United Kingdom been as satisfactory as the experience of depositors in this country as regards loss through failure or fraud on the part of the banks, it is safe to say that the English Government would never have ventured on the experiment involved in the formation of the Post Office savings bank. Circumstances in England were, however, peculiarly favorable at the time, not only to the success of the new institution in point of patronage, but also to the acceptance of the principle contained in so considerable a departure from the ordinarily received views of the functions of government. The restrictions placed upon the large private and joint-stock banks, in the interests of the Bank of England, had not encouraged those institutions to enter upon the business of gathering up the small savings of the class of people very numerous in England, as in all old and populous countries, who can only save by the slow and laborious process of strict self-denial, and public enterprise which had attempted, by means of the Trustee savings banks, to supply the shortcomings of the large banks in this respect, having conspicuously failed in its object, governmental intervention seemed to be the easiest way to meet the exigencies of the situation. In other words, the banking system proper of England was mainly designed to meet the needs of the business classes, and of the comparatively well-to-do, and did not form part, as the Canadian system does, of the social life of the people in general. In Scotland, where the banking system was framed on more popular lines, the same reason for intervention by the Government did not exist, and it is not, therefore, surprising to find that there, as in Canada, the principal advantage, from a depositor's point of view, possessed by the Post Office savings bank over the joint-stock banks, lies in the higher rate of interest paid by

the Government, and that in the opinion of those qualified to judge, if the advantage of a higher rate of interest were withdrawn, the public would, as was shown to be the case in Canada when the Post Office rate was reduced from four to three and a half per cent., prefer to deal with the banks.

But apart from the special circumstances of the case, it is clear that in a country like Great Britain, where capital accumulates so rapidly as to supply all public and private needs, and at the same time to afford a large surplus which yearly seeks investment abroad, the reasons against the government's reception of deposits lose much of their force. In a new country, however, the chief drawback of which is a lack of capital wherewith to develop its resources and assist its industries, governmental intrusion into a sphere peculiarly appropriate to the banks, needs to be justified by very exceptional conditions. That exceptional conditions did not exist in Canada at the time of the inception of the Post Office savings bank has already been stated, and the statement may be confirmed by the remarks of Mr. Stewart in the paper which has already been quoted. He says:—

“Public attention had been attracted by the marked success of the British Post Office banks, and several private individuals had addressed communications to the Government urging the adoption of a similar measure in Canada. . . . The proposed legislation received little attention in the Canadian press. At that time party politics were dormant, and the measure provoking no hostile criticism, it inspired little comment of any kind.”

It must be remembered that competition by the Government in this branch of the banking business is not merely a matter affecting the chartered banks—were it so it might very well be allowed to pass without remark. The Government is an institution which is by its nature removed to a very large extent from most of the influences which operate on private corporations, and is in a position, within much wider limits than confine private corporations, to make its own conditions, without reference to the natural laws governing the accumulation and distribution of wealth. In the exercise of this exceptional power the Canadian Government has

generally maintained the rate of interest on deposits in its savings banks at a point above that which free competition under equal conditions would have determined. The chartered banks, which hold more than twice as large an amount of deposits as all the other deposit receiving agencies in the country combined, have had to follow suit ; the discount rate has been adjusted to the rate paid on deposits, and in this way the Government's participation in the banking business has had the effect of a tax upon the whole business community, and has tended to retard the development of the country's industries. Were the Government actuated by a paternal desire to cultivate the habit of saving in an otherwise thriftless class, or were the country as a whole benefiting by obtaining a considerable loan at a lower rate of interest than the money could be borrowed at in the large money markets of the world, something at least could be said in favor of our Government savings bank system, although the general economical reasons against it would not be weakened. But with banks possessing the entire confidence of the people ; with no special class among the population which cannot be reached by the ordinary means at hand ; and in view of the fact that the loans raised by means of the deposits are costing the country more than the money can be borrowed for in England, the inevitable conclusion must be that the system was uncalled for in the first place, and is mischievous in its operation.

### III

#### PRIVATE BANKERS

THERE is but little to be said in connection with the system —if that can be called a system which is controlled by no laws —of private banking in Canada. It is entirely different from the system which exists in England, where the private banks vie in point of means and volume of business with the large joint-stock institutions. There the private banks are amenable to public inspection ; are compelled to publish periodical statements of their position ; and they establish branches through-

out the country. Several of them have a capital and reserve fund of £1,000,000; one has 86 branches, while a number have 10 or more.

In Canada the private banker is strictly what his name implies. He makes no public statement of his affairs. He is prohibited by law from calling his office a "bank," or from using any term in connection with his business which would lead the most ignorant to confuse it with that of a public or chartered bank. He rarely establishes a branch. His means are small. His business, as a general thing, is largely merged in that of a chartered bank. He is, in fact, not a separate entity, but is rather an offshoot of the chartered banking system, whence he derives the greater part of his power of existence, and without which he would, in most cases, wither and die.

There are some 190 private bankers throughout the Dominion, distributed as follows:—Ontario, 150; Quebec, 7; Nova Scotia, 3; Manitoba and the North-West Territories, 23; New Brunswick, 4; British Columbia, 3. Of these about 90 are established in places which are too small to support a chartered bank.

To begin business as a private banker in Canada it is not necessary to have experience in the practical part, or knowledge of the theory of banking—at least that appears to have been the opinion of many who have tried it. The principal requisite is a line of credit from a chartered bank, and to get that, little more is required than enough capital to supply a margin of 25 or 30 per cent. in collateral security. The margin and the credit obtained, the private banker is ready to receive deposits, to issue drafts through the chartered bank with which he keeps his account, and to transact any further banking business with which the public may be prepared to entrust him. It might be thought that a private individual opening an office in this way, especially if he was not well known in the district, would not get many deposits, however much he might do in the way of lending; but experience shows that there is a class of people who are ready to place their money in the keeping of anyone who stands behind a railed counter, calls himself a banker, and offers a seductive rate of interest.

The history of private banking in Canada is not, when

compared with that of the other financial organizations, particularly creditable either to the private bankers themselves or to the country as a whole. There is no doubt that many of those engaged in the business now are well qualified for it, and fully deserve the esteem and confidence of those with whom they are brought into business relations, but the fact cannot be disguised that the losses sustained by the public in the past through private bankers have been severe, when the means and number of those engaged in the pursuit are considered. Reliable statistics on the subject are not available, but the knowledge of almost anyone who has been in a position at all favorable for observation during the last ten or fifteen years, will bear out the statement. The reasons for this unfortunate record may be said, broadly speaking, to be a lack of knowledge of banking principles, and deficient judgment in making loans. Specific faults developed have been engagement in outside speculations; the taking up of individual accounts too large for the capital employed; and the permitting of loans to stagnate. Above these, however, which are personal defects, is the faulty system which ignores the fact that, in proportion to requirements, there are few men who possess the characteristics necessary to successfully conduct a banking business, and provides no supervision in the public interest over those who fall short of the standard. The form which the supervision should take is not essential. It is not meant here to advocate a government examination, such as they have in the United States, as being the best and most effective which can be devised, nor indeed to urge the adoption of any particular system of inspection, but merely to state the patent fact that some check is urgently needed if the past history of private banking in Canada is not going to be repeated in the future.

In a chartered bank the person primarily responsible for a loan is the manager of the office at which it is made. Above him, however, and removed from local influences, are the general manager or cashier, the inspector, and the board of directors, all of whom criticize and suggest. Even although proposed loans are seldom if ever rejected by the ultimate authority, the fact that they have to pass before it and be subjected to dispassionate examination is sufficient to exercise a

purging influence upon those which are submitted, and to increase the care with which all relative information is collected by the manager. The frequent revisions of the existing loans, too, by the higher authorities, tend to prevent stagnation, and to keep the local officials on the alert.

But the private banker has no one to whom he is responsible, except the bank from which he draws his funds, and the power of revision exerted by it does not extend beyond the business represented by the notes pledged to it as collateral security. Removed from the bracing effect of publicity or criticism in any degree upon a considerable part of his business, he is practically thrown altogether on his own resources, and unless he happens to be a man of firm will and sound judgment, he is certain to be more or less subjected by the personality of his customers, or to be influenced, by the fear of results, to enter upon or continue transactions which contain the elements of future trouble.

The functions of the private bankers may be said to be simply to transact a lower grade of business than that done by the chartered banks, and to supply banking facilities to communities which cannot afford sufficient business to warrant a chartered bank in opening a branch there. Owing to the necessarily small volume of business which a private banker can do, to the proportionately high expense he incurs in doing it, and to the much greater risk he is at, the margin of profit on which he can safely work is much larger than is the case in a chartered bank. What that margin is depends on circumstances. The minimum should not be lower than four per cent., but the desire for business is often an irresistible temptation to take accounts at rates which do not cover the expense and risk. The rates at which deposits are taken are usually one per cent., and at the greatest two per cent., below the rate of discount charged by the chartered banks, the private banker arguing that if he has to borrow money from a chartered bank at, say, six per cent., to carry on his business, he can well afford to borrow from private individuals at five per cent. He takes little account of the radical difference in the character of the two kinds of loans, in that one is a steady time loan, and the other a loan repayable on demand, because he relies partly on the chance of no heavy call being made upon him without

notice, and partly on the assistance of the chartered bank where he keeps his account, to pull him through. If luck is against him on the first point, and he is unable to supply collateral sufficiently satisfactory to ensure help from his bank, there is, as a rule, no third resource to fall back upon, and the end is at hand.

A well regulated system of private banking would no doubt be of benefit to the country in so far as it enabled loans on personal security to be carried which could not otherwise be taken up by the larger banks. The present system of course does this, but its advantages are largely cancelled by the unsatisfactory way in which it has worked in the past, and the consequent distrust with which it is looked upon by the public. What appears to be wanted in order to put it upon a creditable footing are larger capital, restricted credit, more experience in the individuals engaged in the business, and, above all, some effective form of supervision.

MASSEY MORRIS

July, 1895

## DISSOLUTIONS OF PARTNERSHIP

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As many customers of a bank are partnership firms, and as partnerships are constantly becoming dissolved during the currency of the accounts, questions are continually arising as to the bank's rights and position upon the dissolution, and as to the proper course to be pursued in order that its position may not be prejudicially affected. Some explanations and practical suggestions on the subject may prove useful.

The dissolution of a partnership may occur in various ways, and the future of the business may thereafter take various courses. This paper will, however, be confined to the cases which most frequently occur, viz., where the firm is dissolved by the retirement or death of a member and where the business is continued by the remaining or surviving partners, either with or without a new partner, and where the firm has an account with a bank.

Take a common case. A, B and C are partners. They keep the usual bank account, have a line of credit on the firm's own name and a line upon customer's paper, and possibly the bank holds a guarantee or security from some third person. A retires from the firm, or dies; B and C wish to continue the business, and the bank is willing that they should do so, but is not willing to weaken its position by releasing A or his estate from the liabilities of the old firm. What is the best course to pursue?

It is commonly said that, notwithstanding its dissolution, a firm continues to exist so far as may be necessary for the winding up of its business, but this statement is only partially true. The continuing or surviving partners can doubtless deal generally with the partnership assets for the purposes of the liquidation, but it does not follow that they can as generally make the retiring partner, or the estate of the deceased, liable upon transactions into which they enter in the course of the winding-up.

For instance, they can sell the firm's goods either for cash or on credit, and transfer a good title thereto, but if they take a



note for the price, it does not follow that they can make the retiring partner, or the executors of the deceased, liable upon an endorsement of such note. The liability might or might not exist according to circumstances. It is not necessary, however, to follow out the details of a winding-up. It is proposed to deal with the case of a continuance of the business—not a winding-up—as it is where the business is continued that the practical difficulties usually arise.

There are generally three things to be borne in mind :

- (a) The advances to the firm itself
- (b) The customers' paper endorsed by the firm
- (c) The guarantees or securities given by third persons.

The dangers surrounding each will be separately referred to :

1. *The advances to the firm itself—*

These may be by way of overdraft or represented by the firm's notes.

The danger in case of an overdraft generally consists in the fact that, unless care be taken, the result of continuing the account with the remaining or surviving members of the firm may be to extinguish it.

The danger in case of advances represented by the firm's own notes may arise in two ways :

(a) The notes may be given up and notes of the new firm taken instead, and the retiring partner be thus discharged.

(b) The new firm may have agreed with the retiring partner to assume the old firm's liabilities, and the bank, with notice of this, may renew the notes without his consent, and thus discharge him.

2. *The customers' paper—*

The danger in this case may also arise in two ways similar to the above, viz :

(a) The notes may be given up and new notes taken, bearing the endorsement of the new firm, thus discharging the retiring partner from his liability upon the old notes.

(b) The remaining partners may have agreed to assume the firm's liabilities, and the bank, with notice of this, may renew the customer's notes without the consent of the retiring partner, and thus discharge him from liability upon his endorsement.

### 3. *The guarantees or securities of third persons—*

The danger here would arise in this way, viz. : The security may have been given for the particular firm of A, B and C only, and the liability to the bank may have been changed from that of three to that of two only, and the security thereby lost.

How does an overdraft become extinguished by simply continuing the account ?

There are various rules relating to appropriation of payments, the leading ones of which are well known. The debtor has the first right of appropriation. If he does not exercise it the creditor can do so, but if neither makes a special appropriation, then the law endeavors to get at the intention of the parties, and for this purpose one of its presumptions is, that the earlier items of one entire account are intended to be paid before the later items of the same account.

Apply this rule to the case of a firm's overdrawn current account in a bank, and suppose a dissolution and a continuation of the account, as before, with the remaining or surviving partners, and what would be the result ? In the absence of something to show a contrary intention, the earlier debit items of the account would be discharged by the earlier credit items, and notwithstanding that the general debit balance had never decreased, the liability of the retiring or deceased partner would be discharged. He might be financially the strongest member of the firm, and yet the bank would lose him as its debtor. In an active current account this result might very soon be reached.

Why does taking new notes, for advances made to the firm, discharge the liability of the retiring partner ?

Because, if the new notes were taken *in lieu* of the old—the old being given up—no claim would exist upon the old, against either the retiring or remaining partners, and as the new notes would not be endorsed by the retiring partner, his liability would consequently be at an end.

Why would the retiring partner be discharged, should the bank renew the old firm's notes without his consent, in case the remaining partners had agreed to assume the liabilities of the firm, and the bank knew of this ?

The answer to this question depends upon the law of principal and surety.

For some time it was thought that two principal debtors could not change their relation to their creditor by any agreement between themselves, as to the liability for the debt, but it is now well settled in England and in Ontario that by such agreement one may become surety only for the other, and if the creditor have notice of this, he must recognize the change, and thereafter treat the surety as the law requires a surety to be treated.

As a rule, and subject to certain exceptions, some of which will be shortly explained, a surety is discharged if the creditor, in a binding way and without the surety's consent, gives time for payment to the principal debtor.

The reason for this is, that one of the most important rights possessed by the surety has been interfered with. He has the right, so soon as the debt matures, and even before the creditor demands payment, to compel the principal, by proceedings in court, to discharge the debt and thus relieve him from his liability as surety. If the creditor, without his consent, in some binding way, extends the time for payment of the debt, the surety cannot, till the extension expires, compel the principal to relieve him. This being an injustice to the surety, brought about by the act of the creditor, the law relieves the surety at once, and his liability to the creditor is discharged.

The result does not depend upon whether or not the surety is really prejudiced by the extension. A right of his has been interfered with, and no enquiry can be made as to the actual value to him of this right.

Therefore, if the Bank, without the consent of the retiring partner, who has been changed from a principal to a surety, should renew the notes, time for their payment would be given in a binding way, and the surety would be discharged. The same result would follow if customers' notes were renewed.

Why should the taking of customers' notes, bearing the endorsement of the new firm only, discharge the liability of the old firm?

For the same reasons explained where the old firm's own notes are given up and notes of the new firm taken instead.

Bear in mind that in each case it is assumed that the old notes have been given up, and the new ones substituted therefor. Reference will be made hereafter to the effect of keeping the old notes and taking the new as collateral, or by way of renewal only.

Why should the bank lose the benefit of a guarantee, or security, taken for the debt of three partners, because one of the three ceased to be liable therefor ?

The answer to this also depends upon the law of principal and surety, and will be readily understood. The liability of a surety depends entirely upon his contract ; the creditor's claim against him is *strictissimi juris*, his liability cannot be extended beyond the scope of his contract, and his rights are carefully guarded by the law. If he has guaranteed the payment of a debt of three persons, he cannot be held for a debt of any greater or less number. If, therefore, the debt of the three no longer exists, the surety is no longer liable. There is, of course, nothing to prevent the contract of suretyship from being so framed as to make the surety liable, not only for the debts of the three, but also for those of any one or more of the three, and by properly reserving rights as against the surety the creditor may release and in other ways deal with his debtor without discharging the surety.

What then should be done, in order to protect the bank's interests in the various cases referred to, and, at the same time, to facilitate the successful continuation of the business by the remaining or surviving partners ?

So far no distinction has been drawn between a dissolution by death and a dissolution by the retirement of a partner. The legal positions are much alike, and the same principles apply, but when dealing with the cases in practice, there are important distinctions which must not be lost sight of, the principal one being that a retiring partner, being *sui juris*, can bind himself by any agreement which he may enter into, whereas the executors of a deceased partner can only bind the estate within the limits of their powers as executors, under the provisions of the will and the general law. If there be no will, the administrator, who derives his authority from the law, must act within the limits of such authority.

First, take the case of a *retiring partner*. If the bank is not willing to let him retire, and become discharged from his liability, in the way indicated, it can require him to enter into a proper agreement preserving the liability, and as the alternative, in case of refusal, would probably be disagreeable, the agreement would doubtless be made.

The terms, times and manner of liquidating the liability must necessarily vary in different cases ; probably no two cases could be treated alike. There is nothing to prevent any terms which may be decided upon from being embodied in the agreement. No special form of words is required, but for the convenient and safe working of the account, and to avoid the dangers above alluded to, the agreement should provide :

(a) That notwithstanding the continuation of the account, or the form in which the accounts are kept, the liability of the old firm and the retiring partner shall continue until actual payment of the overdraft, and that the deposits of the new firm shall be first applicable to their withdrawals, unless such deposits are specially applied in payment of the overdraft, and that the liability of the new firm, no matter how taken, shall be collateral and additional to the liability of the old, and not in substitution for it.

(b) That the notes representing advances to the firm may be renewed from time to time, without prejudice to the liability upon the old notes, which should not be given up till actually paid.

(c) That customers notes may be renewed from time to time, and compromises made with them, and extensions granted, without prejudice to the old firm's liability in respect thereof.

(d) That the signature of the new firm upon renewal notes, etc., representing old firm's liabilities, whether upon customers' paper or otherwise, shall bind the retiring partner as if he were a member of the new firm, for that purpose.

(e) The agreement should expressly reserve, in the most ample way, all rights with respect to sureties and securities.

It is with regard to the bank's position as against sureties, that the greatest difficulty will arise, and a few words as to the legal position will not be out of place.

It has been already stated that, subject to certain excep-

tions, a surety is discharged if the creditor in a binding way, and without the surety's consent, gives time for payment to the principal debtor. One of the exceptions referred to is that such time may be given, and yet the surety will not be discharged, if, in the instrument giving the time (or possibly by collateral agreement made at the same time), the creditor expressly reserves all rights against the surety. The reason for this is that the effect of such a reservation enables the creditor, if he so desires, to proceed at once against the surety, and in turn it enables the surety to proceed at once against the debtor. No right of the surety is therefore interfered with, and his liability remains. An extension of time to the debtor, with such a reservation, seems, in this view, meaningless, but in practice the creditor does not proceed against the surety, and the surety does not proceed against the debtor, and the intention of the parties is really accomplished. This principle is now so well settled in our law that there is no difficulty in arranging to give time to the principal debtors, and yet not discharge the surety; but the real difficulty in the case under consideration is to preserve the liability of the principal debtors themselves, in the same form in which it existed at the time of the dissolution, for if there be a material change in the nature of that liability (for instance, if there be a novation, the liability of a new firm with a new partner being taken in lieu of the old), the surety, unless his contract allows it, will be discharged, and no reservation of rights in such case will avail.

Therefore the terms of the guarantee, or other security, should be carefully considered, and the agreement with the partners should be so framed, and the bank should so act, as to preserve, if possible, the benefit of the guarantee or security, and to accomplish this the agreement should, in express terms, provide for the continuation of the old firm's liability in all respects, until actually discharged by payment, notwithstanding the dissolution and the other matters provided for in the agreement.

Wherever possible customers' notes should be retained when renewals are taken, and it should be understood that the renewals are taken without prejudice to the liability on the old notes.

(f) The agreement should also contain a clause prevent-

ing the retiring partner from compelling the others to pay the old firm's liabilities before a stated time.

(g) It might also be convenient to provide in the agreement for the entrance of a new partner into the new firm.

If a new partner be taken in, the bank will not get the benefit of his liability for the old debts, unless he agrees with it to become liable. An agreement by him to this effect, with his partners only, will not enure to the benefit of the bank. If there be a new partner, care should be taken that the agreement with him be so worded as to prevent the discharge of the retiring partner, or the sureties, by novation—in other words, the liability of the new firm should be taken as additional and collateral to that of the old, and not in lieu of it.

Assume, however, that the retiring partner will make no agreement, and that the bank is willing to continue the account with the others, but still desires to preserve the liability of the retiring partner, what should be done?

It will be remembered that the rules relating to appropriation of payments, in default of special appropriation by either debtor or creditor, are based upon the presumed intention of the parties; they do not apply if a contrary intention exists; therefore the bank should so act as to clearly indicate that the intention is *not* to continue the account as one entire account, in which the earlier debit items would be discharged by the earlier credit items, but that its intention is to preserve the liability of all parties for the old debts, until they are actually discharged by payment.

This intention may be evidenced in several ways. The most satisfactory would be by an understanding with the remaining partners, and it would usually be best that the bank should open new accounts for all transactions subsequent to the dissolution, except such as are clearly and specifically connected with the payment or renewal of some portion of the old accounts.

It should also, when renewing the firm's notes, retain the old notes bearing the firm's name, and have it clearly understood that they are retained, in order that the liability of the retiring partner may be preserved, and that action may be brought upon the old notes in case the renewals are not paid.

The same practice should be followed, whenever possible, with customers' notes endorsed by the firm. The understanding should as soon as possible be evidenced by writing, and a formal agreement executed, and this agreement should follow, as closely as possible, the terms of the agreement above outlined. A writing is, however, not essential, as the understanding may be proved by verbal evidence, and sometimes it is not practicable to reduce the understanding at once to writing.

If the retiring partner stands on his legal rights and refuses to make any agreement, care must be taken to do nothing which would have the effect of discharging him in his character as surety, as by renewing notes, or otherwise by a binding agreement giving time to the other partners, without reserving rights as against him, or by changing in a material way the nature of the liability for which he has become surety.

Next take the case of the *death of a partner*.

Before the position can be properly understood, the articles of partnership (if any) should be examined, also the will (if any) of the deceased.

Provisions in the articles may be made as to the rights and position of the surviving partners, which would be binding on the executors of the deceased. Provisions may be made in the will which might be obligatory upon the executors, though not upon the surviving partners. The provisions in the articles might be modified or altered by agreement between the survivors and the executors, but the provisions in the will might be so drawn as to limit the authority which the executors would otherwise possess; on the other hand, they might materially enlarge their authority. Therefore, in any arrangement made, regard should be had to the terms of the articles and of the will. But, assuming that there are no such provisions, what is the legal position, and what should the bank do for its protection?

The executors of the deceased do not, of course, become partners with the survivors, and they have no right to interfere with the partnership business; they, however, represent the deceased for all purposes of account, and unless restrained by special provisions of the articles of partnership, they may obtain from the court the appointment of a receiver and have the business wound up. The surviving partners are the proper



persons to realize the assets and pay the debts of the firm, but it would be well, wherever possible, to procure the assent of the representatives of the deceased to any course intended to be followed.

As a rule, in cases of solvent partnerships, an agreement is come to, sooner or later, between the survivors and the representatives of the deceased, respecting the deceased's share in the business, and, as the bank's assent is generally required to such an agreement, the necessary provisions for preserving the liability of the deceased's estate may then be made; but as the business must go on pending the issue of probate or administration, and pending negotiations between the parties, precautions should be taken similar to those suggested where a retiring partner will not make an agreement preserving his liability, viz., the intention not to continue the account as one entire account should be evidenced by an understanding with the survivors, and, if possible, with the representatives of the deceased; and the necessary new accounts should be opened, covering the new transactions. The old notes should be retained when renewals are taken, and the old liability preserved unbroken as far as possible. The precautions with respect to sureties should also be observed.

Speaking generally, the right of the executors as against the surviving partners, is simply to have the share of the deceased ascertained and paid. If none of the surviving partners are themselves executors, the deceased's share may be fixed by agreement between the survivors and the executors, and a sale may be made to the survivors on such reasonable terms as prudent men would make, but if any of the survivors be executors they cannot, with safety, make sale to themselves of the deceased's share; if they assume to do so, they are liable to be called upon to account by those interested in the estate, and if the bank continues to deal with the survivors, and give them credit upon the assumption that they have become owners of the business, the sale may subsequently be impeached, and the bank may find itself a creditor of persons having liabilities much greater, and assets much less, than it supposed. If a surviving partner be an executor of the deceased, the assent to any sale to the survivors should, if possible, be obtained from those bene-

ficially interested in the estate ; if not, the assent of the court to the sale should be obtained ; otherwise the risk above referred to must be run :

To summarize :

1. The legal principles relating to a dissolution, by retirement of a partner and by death of a partner, are similar. The principal differences have been explained.

2. The dangers to be guarded against, in either case, are, with respect to

- (a) The firm's overdraft
- (b) The advances to the firm represented by its own notes
- (c) The customers' paper endorsed by the firm
- (d) The guarantees or securities of third persons.

3. The ways of avoiding these dangers have been shown, the principle running through them all being that the old liability shall, as far as possible, be preserved unbroken.

4. When dealing with executors or administrators, bear in mind the limits of their authority under the will or otherwise, and if a surviving partner be an executor, remember the precautions which should be taken in order to make valid a sale of the deceased's interest to the surviving partners.

September, 1895

Z. A. LASH

## THE LEGAL RATE OF INTEREST

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"To punish public outrage on morals or religion is unquestionably within the competence of rules, but when a government *not* content with requiring decency, requires sanctity, it oversteps the bounds which mark its functions, and it may be laid down as a universal rule that a government which attempts more than it ought will perform less. *A law-giver who, in order to protect distressed borrowers, limits the rate of interest, either makes it impossible for the objects of his care to borrow at all, or places them at the mercy of the worst class of usurers*, and so a government, not content with repressing scandalous excesses demands for its subjects fervent and austere piety, will soon discover that while attempting to render an impossible service to the cause of virtue, it has in truth only promoted vice."—MACAULAY.

ON 8th January, 1896, Mr. Mulock introduced in the House of Commons a bill to repeal section 2 of chapter 127 of the Revised Statutes of Canada, entitled *An Act Respecting Interest*, and to substitute the following :

"Whenever interest is payable by the agreement of parties, or by law, and no rate is fixed by such agreement or by law, the rate of interest shall be four per cent."

Upon the second reading, on 9th January, after some debate, the bill was referred to the Banking and Commerce Committee. When the matter was taken up by this Committee, on 28th February, resolutions passed by the Boards of Trade of Montreal, Toronto, Ottawa and Halifax, protesting against the passage of the bill, were read, while a deputation of bankers\* appeared before the Committee in person, in order to ensure that its members should not form their conclusions without having before them a full and clear statement of the objections to the measure. The matter was discussed at length, with the result that after an amendment to make the rate 5 per cent.

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\* The deputation consisted of: Messrs. H. Stikeman, General Manager Bank of British North America; A. Macnider, Inspector, Bank of Montreal; D. Coulson, General Manager, Bank of Toronto; B. E. Walker, General Manager, Canadian Bank of Commerce; D. R. Wilkie, General Manager, Imperial Bank of Canada; George Burn, General Manager, Bank of Ottawa; and W. Lake Marler, Manager, Merchants Bank of Canada, Ottawa; the latter gentleman presenting the argument of Mr. George Hague.

had been lost by 31 to 18, the Committee resolved unanimously that the bill should be reported against.

The debate which took place in the House on the second reading of the bill, indicates a very general misapprehension as to the origin of the present legal rate, as also that apart from those of the commercial community who, in the capacity of either borrower or lender, have much to do with instruments by means of which debts are recorded, the objections to a fixed legal rate of interest are not understood. Had it not been for the sensible view of the matter taken by the Hon. Mr. Foster in having the bill referred to a committee, so that those most concerned might have an opportunity to be heard, it is not at all unlikely that it would have been passed—with possibly a modification in the rate to 5 per cent.—with very little opposition. This being the case the publication here of the discussion and argument will form a valuable record should the question be brought up again at any future time, while the matter it contains is of considerable present interest.

#### EXCERPTS FROM THE DEBATE IN THE HOUSE OF COMMONS

MR. MULOCK on moving the second reading said: The principle of this Bill is a very simple one, and I am sure the measure will commend itself to the judgment of the House. Many years ago, in 1859, I think, Parliament fixed the legal rate of interest at six per cent. At that time the current rate of interest was considerably in excess of six per cent.—perhaps nine per cent. The rate fixed by Parliament was, therefore, about one-third less than the current rate. Since that time a change has taken place in the value of money, and to-day, I think, I am quite within the facts in saying six per cent. is the average current rate. Money is procurable at much less than six per cent., and I doubt if, in ordinary dealings between man and man, a higher rate than six per cent. is now given as a matter of agreement, except in rare cases. I have suggested four, because it is about a third under the current rate of six per cent., and six per cent. was years ago about a third under the then current rate, so four per cent. is about a third under the current rate of to-day. The only doubt in my mind is as to whether, instead of its being fixed at four per cent., we should not fix it at three per cent. to-day. However, I am prepared to hear suggestions in that direction, but not wishing to be unreasonable, I have endeavored as nearly as possible to adopt a scale in harmony with the scale adopted in 1859. It seems to me in the public interest that the legal rate, that is, the rate provided by law in the absence of an agreement, should not at least be in excess of, or even equal to, the highest going rate between parties. Six per cent. to-day, the legal rate, is an excessive rate for the law to impose in the way of damages or fine upon a debtor.

MR. COCKBURN: When we consider what is ordinarily paid to a depositor for his money by those going to loan out that same money, when we reflect that the depositor usually gets from 3 per cent. to 3½ per cent., I think that when my hon. friend tries to fix the rate at an additional ½ per cent., which has to cover all the risk, with the expenses attending the management of it, he is undertaking a risk which I am sure I am safe in saying

he has never ventured to undertake, either in the loan company which he so ably controls, nor has he ever undertaken such a risk in the disposition of those funds of which he has charge as trustee. This effect, I think, must inevitably follow—perhaps that may have been an idea in the mind of my hon. friend—the effect must be to raise the price of money to the poor man. Of course, if 4 per cent. is to be the rate, we cannot expect that the capital which can find ready employment at 6 per cent., 7 per cent., 8 per cent. and 9 per cent., is going to find its way into Canada. There will be a gradual withdrawal of that capital to England and elsewhere, so that the amount of capital left on hand would be smaller, while the number of those who want to borrow it will remain the same. The inevitable result would be to force up the rate of interest still higher than it has ever been. The supply will be cut off, because there will be no inducement to the Englishman to put his money here, and my hon. friend who may now be contented with six per cent. on his mortgages, would be netting seven, eight or nine per cent.

Mr. MULOCK: I suppose you are aware that we have so much money in the country that a great deal of it is sent out of Canada for investment.

Mr. COCKBURN: Where is it sent?

Mr. MULOCK: New York, principally.

Mr. COCKBURN: In New York the rates were higher, so that if this law were to pass it would drain still more largely the country of money, which would be sent to New York. I am obliged to my honorable friend for the suggestion; it illustrates the very fact I am pointing out.

Mr. MULOCK: Surely the honorable gentleman, as a banker, knows better than what he is saying now.

Mr. COCKBURN: I know perfectly well what I am saying. Perhaps the object of my honorable friend's bill is not so much to raise the price of money as to manufacture farmers' votes.

Mr. MULOCK: That is a piece of impertinence.

Mr. COCKBURN: I wish also to point out to the House that in England, which has had an experience of centuries, which is the money market of the world, to which we all look as the guiding star in commercial matters, while the rate of discount for commercial paper may have been less than one per cent. for the twelve months, the legal rate of interest established in the courts on money in default is five per cent. Surely the honorable member is not going to hold out a premium to a man not to meet his legal obligation, and to remunerate the borrower for a breach of contract. If a man has borrowed from you \$10,000 at six per cent., and you have made no arrangement with him as to the rate of interest in case of default, you do not wish him to be in a position of trying to keep you out of your money because he is going to make \$200 on it by paying you four per cent. instead of six. I think that when the House has fully considered this matter—and I cannot help thinking that my honorable friend, with his long experience, will himself be convinced—it will arrive at the conclusion that apart from the little advantage that is going to be gained perhaps among the farming community during election time, there is nothing to be gained for the benefit of this country by passing such a proposal as that made.

Mr. LISTER: Money has come down from ten and twenty per cent. to, say, six per cent. The statute which the honorable member for North York (Mr. Mulock) proposes to amend is a statute passed when high rates of interest prevailed many years ago. During all these years no attempts whatever have been made to reduce the rate of interest. No man will say that six per cent. was an unreasonable rate when people who went to the banks to borrow money would have to pay ten per cent. exchange and on mortgage from ten to fifteen per cent. Six per cent. was then not unreasonable when no contract was made between the parties. . . . Money can be obtained on good security at five per cent.; it can be obtained from the banks at five and one-half to six per cent. if the security is good. Then upon

what principle should we retain the legal rate of interest which in the absence of a contract was fixed at six per cent., when money can now be borrowed at a lower rate than six per cent? . . . The honorable gentleman does not profess by this Bill to limit the rate of interest, to restrict the right of the individual to contract as to the rate to be paid. All it provides is, that where no contract exists as to rate of interest, then the rate shall be four instead of six per cent. . . . It does not follow that where the statute law provides that in the absence of contract there should be a certain rate of interest paid, the volume of business is affected, but only the man who allows an overdue note to remain in that condition. If the legal rate is four per cent., and he can obtain six per cent., he will say to the maker of the note that he must pay up the note. It has no influence whatever upon the volume of the money in the country, and it cannot affect the credit of the country whether it be one per cent. or two per cent., or if the law provided it should be nothing at all. As I pointed out to my honorable friend, the statute does not interfere with the contracting rights of individuals, and nearly every contract for the payment of money fixes the rate of interest to be paid. If the loan is by a bank, the discount is taken off at the time the money is advanced. It is covered on the face of the note, and all the bank would be entitled to recover would be the six per cent. after the maturity of the note. I need not tell my honorable friend (Mr. Cockburn), who is a banker, that banks are not in the habit of allowing overdue paper to remain in the bank any longer than they can help.

MR. COCKBURN: Let me ask my honorable friend (Mr. Lister), whether you would not force the bank to deal harshly with a man in that case, and whether it would not be in his interest to be in default instead of honestly keeping to his obligations.

MR. LISTER: The bank will make every individual whose note it holds pay up; no matter whether the interest is eight per cent. or nine per cent. If the borrowers allow their overdue paper to remain, their credit is destroyed, and it is not business anyway. Besides all that, the conditions can be made on a promissory note that after maturity it should bear interest at seven per cent. or eight per cent., or whatever may be provided. It all comes within the contract, and the contract can be made by the bank. So long as the statute does not interfere with the right to contract, no injury can be done to any person. . . . This Bill is in the interest of the community at large, and in view of the fact that the rate of interest has come down from ten and fifteen per cent. to five and five and one-half per cent., we should reduce the rate of interest chargeable upon overdue paper, so as to conform with the reduced rate. I can see no objection to the Bill. On the contrary, I can see everything in favor of it. Nobody can be injured, because money is not worth more than four per cent., for that is all an individual can get for it. A man has money to pay his note, and, if he takes it to a bank, or to a loan company, the highest rate of interest he can get would be four per cent. on deposit. I do not think you should exact from the people of the country more than they could get from our financial institutions for their money on deposit. I shall certainly support the Bill.

MR. SPOULE: I have no doubt that the object of the Bill is a good one, if we could carry it; but this Bill will not reach cases where the hardship is most felt in questions of interest. It is not because people are compelled to pay six per cent. that it is such a great hardship, but the trouble is when they are compelled to pay eight, or ten, or twelve, or even twenty per cent., as is the case in many parts of the country to-day. If the honorable gentleman's Bill went so far as to prohibit that, I would willingly support it. . . . But provided this Bill should become law, any sharp business man—and they are the men who always get the high rate of interest—or the banks or the loan companies, can easily evade it by making a contract. . . . If we could make four per cent. the general rate for business transactions all

through the country, then I would say that this legislation conferred a great boon upon the people.

MR. MACLEAN (York): If the argument of the honorable member from Toronto (Mr. Cockburn), is good for anything, it proves that the Act respecting interest ought to be repealed. But he does not go that far. If Parliament takes the position that it ought to make a legal rate of interest, then Parliament ought to keep in touch with the times, and, if the rate of interest has a downward tendency, Parliament ought to fix the legal rate in harmony with that decline. That is all this Bill proposes to do, and, if it does that, then Parliament ought to accept its responsibility and make the legal rate in harmony with the ordinary commercial rate. If the Bill does not remove all the grievances that exist, under the present rules and laws with regard to interest, it does, at least, afford some measure of relief to people who are paying interest, and to that extent it should be supported by the House.

MR. MARTIN: It seems to me that the honorable member (Mr. Mulock) has not gone far enough in this legislation, if he desires to have the rate of interest in cases of this kind fixed at four per cent., because he still leaves the law as it was with regard to interest upon judgment debts. . . . In British Columbia it is six per cent. by express enactment of this Parliament; in Manitoba, four per cent., because there is nothing in the Interest Act which affects the question of interest upon judgments, and in Ontario it is six per cent., not because the Interest Act affects it, but because that was the law prior to confederation. If I am right with regard to this, and the honorable gentleman (Mr. Mulock) reduces the rate of interest in case of agreement or by law to four per cent., then there would be a very considerable inducement, as the honorable gentleman for Toronto (Mr. Cockburn) has suggested, for creditors to sue at once upon an overdue liability which carries interest, in order to escape the law, by which they would only get four per cent., and take advantage of the other law, by which on a judgment debt they would get six per cent. If this Bill is passed, it should be made to include judgment debts in all the provinces, and reduce the rate on judgment debts from six per cent. to four per cent.

MR. CAMPBELL: . . . For my part, I would rather see the rate of interest fixed at five per cent. than four per cent. I believe that the present rate should be reduced. The rate of interest was fixed at six per cent. when money was quite freely going at from ten to twelve per cent., but now the rate has come down very much. The City of Toronto has borrowed large sums of money at three and one-half per cent., and I believe the City of Ottawa has floated its three and one-half per cent. debentures above par at 102 or 103. Gilt-edged mortgages can be obtained at five per cent. or four and one-half per cent. If a man wants to lend \$1,000, and thinks he should have six per cent. for it, this Bill does not prevent him getting that, if he states it in the contract. . . .

MR. COATSWORTH: . . . Undoubtedly the tendency of the rates of interest for the last two or three years has been downwards. As one honorable gentleman said, a borrower can get money on gilt-edged security on mortgage as low as five per cent. . . . Undoubtedly during the last five years there has been a decrease generally in the rates of interest, and I think it is a proper subject for the consideration of this Parliament whether the legal rate of interest should not be lowered. . . . At the same time, until we have some expression of opinion from the business community, the boards of trade, the banks and other interests, some of whom would of course be against any reduction in the rate of interest, I think we ought not to pass the Bill. . . .

MR. TISDALE: I agree with the proposition that it is desirable to lower the rate of interest, but I do not agree at all with the honorable gentleman that that can be done by legislation. . . . I am for free trade in money, and my reason is this: I want to see the interest as low as possible; but I

am perfectly convinced, and I think history proves conclusively that the way to get low interest is to keep money free. Any one who has lived many years in Canada will remember the contest which took place at the time the usury laws were abolished. Those laws had the effect of compelling the borrower to pay high rates of interest, and the rates have tended to go lower ever since. I cannot remember a single case in which a man was ever convicted of usury. There were extensive law suits brought with the view of taking advantage of the law then in force, but they were almost always unsuccessful.

. . . I oppose this legislation on the broad principle that it is best for the borrower to leave money free. If you fix the rate of interest at four per cent. to-day, what will happen? Money cannot be borrowed at that rate, and the instant a note becomes due, if the maker of the note failed to meet it, he would be sued, and he would have to be sued, because he would not be able to borrow money to renew it at as low a rate as four per cent. . .

While I would like, if possible, to reduce the rates paid by those who borrow on securities, I think it would be a step in the wrong direction to apply that principle to business transactions, as this Bill is designed to do, because the rate at which you can borrow money depends on the quantity of money in the market. With regard to borrowing from people who have money to lend and who live on the interest of it, the rate depends on the class of security and the plentifulness of money. . . . On all lines I am strongly opposed to any attempt to interfere with the existing legal rate. I am satisfied that any attempt to alter it by legislation would simply make things worse for the man we would all like to see get the best of it, the man who pays the interest.

. . . I believe in letting well alone. There is no desire for a lesser rate by those who desire not to get an advantage.

MR MILLS (Bothwell): . . . We owe in part the very low rate which has prevailed for some time in this country—first, to the freedom of contract with reference to interest, which has caused money to flow here for the purpose of investment, but also very largely in consequence of the general peace which has existed throughout the world, especially in those countries which are the great money lending centres of the world. Now, I think that the only point involved in this measure is a very simple one, and that is, whether the rate of interest proposed to be fixed by this Bill is very much below the average rate of interest that prevails amongst parties whose credit is fairly good. I do not think that you should judge in this matter by comparison with cases of loans extending over a period of a long time, made by persons who may be advanced in years and with large sums to invest, who do not care to be troubled looking constantly after avenues of investment, and to whom a permanent investment is of more consequence than a very large rate of interest. You should look at the ordinary transactions of life, that occur with reference to the lending of moneys, to the accommodation given in banks and elsewhere, for the purpose of enabling a fair rate of interest where no rate of interest has been agreed upon. Now, there is this to be considered in fixing the rate under these circumstances: What will be the effect upon the man who is a debtor, where credit has been given, say by the retail merchant and by various parties from whom loans are affected? What will be the effect upon the relations which exist between the debtor and the creditor in these cases? My impression is, that, if you fix a rate of interest very much below the ordinary rate, one of two things happens. The merchant will charge more for his goods when he parts with them on credit, or, if he sells at a narrow margin, he will press for immediate payment or for some security upon which there shall be a higher rate of interest than you fix. The ordinary merchant goes to the bank and obtains credit, and he gives credit to his customers. If the bank compels him to pay a rate very much higher than that which he charges to his creditors on overdue bills, of course, he will insist upon the settlement of the account, or upon a note being given in which the rate of interest is fixed. So that while it may be



that, as my honorable friend who moves this Bill has stated, that the present legal rate of interest, six per cent., is above the current rate of interest which is ordinarily charged, I am not at all sure that the rate he proposes is not too low, and that it will not lead to an immediate demand for the payment of all overdue bills and of due accounts, or for their settlement by bills or notes bearing a higher rate of interest than that named in this Bill. There are very many cases where men allow an amount to stand, between parties where the debtor is perfectly good, but is not prepared to make immediate payment, at the ordinary rate of six per cent., because he regards that as a fair charge. It seems to me that the House, in dealing with these questions, ought to be certain, as near as may be, what is the current rate between the parties, and to see to it that the rate fixed is not higher than that. My honorable friend from Kent (Mr. Campbell) has suggested five per cent. I am inclined to think that that is very near the right figure, and that if you were to go very much beyond that, you would be charging the party more than he could obtain the money for upon his note, if his security is good; and, if you put it below that figure, you will compel a settlement by notes, or bills, or cash, where otherwise an inconvenience of that sort need not be incurred. The whole question here is not a question in reference to free trade, or in reference to usury; it is a question as to what is a fair compensation looking at the present abundance of money, to the party who, for the time being, is exercising his forbearance towards a debtor, in order that the business of the country may be carried on with as little inconvenience as possible. You do subject the parties, who may be perfectly upright and ready to trust each other, to a certain amount of inconvenience, if you fix the rate of interest so low as to force an actual settlement at every moment when an account becomes due.

MR. FOSTER: The remarks of my honorable friend who has just sat down seem to me to get at about the kernel of this question. No doubt since the rate was fixed at six per cent. there has been a considerable lowering in the general rate of money. The whole question for the House to consider is, first, whether any change is to take place; and second, whether 4 per cent. is not too low in comparison with the general rate of interest. I am a little surprised to hear that money is loaned generally at so low a rate as five per cent. That is not my experience. And I think that we who come from the maritime provinces will be unanimous in saying that there is very much more loaned on mortgage in small sums at seven per cent. than at five, and very little loaned at less than six per cent. There is a good deal to be thought of when you undertake arbitrarily by law to interfere with the rate of interest in the country. I am not going to discuss the question to-night, because I have a proposition to make to the House which, I think, will bring the matter into better shape; and that is, that having had this discussion, the Bill be read the second time and referred to the Committee on Banking and Commerce, which is one of the best committees of this House, and that the whole matter be taken into consideration there. I am impelled to make this suggestion all the more because I have received a large number of representations from business men, from loan societies, and from the Bankers' Association, asking that they may be heard, and putting some pretty strong objections, as I look at them, to the lowering of the rate to four per cent. These gentlemen might be heard by the Government, and the Government might make up its mind whether it would declare in favor of four or five per cent, or whether it would oppose the Bill altogether; but I think it would be much better that these gentlemen should have a chance to be heard before the Banking and Commerce Committee, and of laying the peculiarly business aspect of this question before that committee. The subject will be discussed there, and, probably—though I am not going to make a prophecy—it may be decided that, while there should be a lowering of the rate of interest, yet four per cent. is too low a figure.

MR. MULOCK: . . . I concede there is scope for difference of opinion. But, at all events, it is a fair subject of debate and consideration whether the existing rate is not too high. Now, to what class of people will this apply? Let us illustrate. Let it apply to the case of overdue bills mentioned by my honorable friend from Centre Toronto (Mr. Cockburn). Commercial paper discounted, how is that to be drawn? As a rule, notes are drawn for a fixed sum of money without reference to interest whatever, and the interest is deducted by the banker by way of discount. Three months after date the promisor promises to pay \$100; in some cases, "with interest," is added; in other cases, and in most cases, without; so that as to the great bulk of commercial paper, there is no reference whatever to the subject of interest. The agreement, therefore, is not that interest shall be paid upon that note, the agreement is to pay a fixed sum of money when the note is due. The court allows interest or not on overdue paper, as a matter of damages, and the matter is in the direction of the court. The great class of cases to which this will apply will be the cases of money owing upon mortgages. Mortgages are not in the habit of paying their mortgages when due, as makers of notes are. Mortgages run on for years after they are overdue. In some cases the rate of interest entered into may have been a high rate at the time the contract was made, and there has been a great change before the mortgage fell due, still the mortgage continues as an overdue mortgage. Now, it would apply to a case like that. If a mortgage were entered into five years ago bearing eight per cent. interest, to-day it becomes due, and what rate should he pay to-day? Should he be compelled to continue to pay his eight per cent., or should he get some amelioration, and if so, what? He has agreed to pay interest up to the end of five years, he has not stipulated what interest he is to pay afterwards. How much is he to pay?

MR. TISDALE: They generally put a clause in the mortgage to compel him to pay the same rate.

MR. MULOCK: I am not interfering with the right of contract.

MR. TISDALE: Then your argument is no good. . . .

MR. MULOCK: Five years ago the current rate of interest on the best securities was about two per cent. above six per cent. During those five years did we hear of debtors being oppressed? Did we hear of lawyers going about stirring up litigation, and usurious men oppressing borrowers? I have not heard of any such experiences. And if, when there was that difference of, say two per cent., within the last few years, there were no serious consequences, what right have we to assume that to-day, with the current rate at six per cent., if we fix the legal rate at four per cent., there will be a different state of affairs from what happened before? We can imagine consequences, but we have got the absolute evidence to prove that nothing injurious will follow. . . . I have no objection to the Bill going to the Committee on Banking and Commerce, but I hope that will not be the end of it for this session.

MEMORANDA SUBMITTED BY Z. A. LASH, Q.C., ON THE ORIGIN OF THE PRESENT LAW AND AS TO THE COMMERCIAL TRANSACTIONS WHICH WOULD BE AFFECTED BY THE PROPOSED MEASURE

1. In 1859 the present law, fixing the rate of interest where no agreement exists, at six per cent., was passed by the old province of Canada, and it has been assumed that the rate of six per cent. was then fixed for the first time. It has been stated that the prevailing rate of interest in 1859 was nine per

cent., and it has been argued that as six per cent. was declared to be the proper legal rate when the prevailing rate was nine per cent., the rate now fixed by statute should be made correspondingly lower than the now prevailing rate of six per cent. An examination of the legislation on the subject establishes the incorrectness of the premises and the fallacy of the arguments above mentioned. The prevailing rate of interest had probably little, if anything, to do with the fixing of the legal rate at six per cent. Certainly the rate was not fixed at six per cent. for the first time in 1859, for by an ordinance of the old province of Quebec, passed March, 1777, it was provided :

SEC. 5.—"It shall not be lawful upon any contract to take, directly or indirectly, for the loan of any monies, wares, merchandise or other commodities whatsoever, above the value of £6 for the forbearance of £100 for one year, and so after that rate for a greater or lesser sum or value, or for a longer or shorter time, *and the said rate of interest shall be allowed and recovered in all cases on which it is the agreement of the parties that interest shall be paid*, and all bonds, contracts and assurances whatsoever, whereupon or whereby a greater interest shall be reserved and taken, shall be utterly void." Persons offending forfeit treble the value of the monies, wares, merchandise and other things lent or bargained for.

This ordinance was of course a law against usury, pure and simple, and it is clear that the attempt to fix six per cent. as the legal rate takes its origin as part of the usury laws, and not because it was thought advisable to make the rate, when not agreed on by the parties, less by one-third or by any other proportion, than the prevailing rate of interest. In the old province of Upper Canada a law was passed in 1811 in similar terms to the ordinance of 1777 above quoted. The usury laws continued in force in Canada until 1853, when by 16 Vic., chap. 80, of the province of Canada, penalties for usury were abolished, and contracts and securities for a greater rate of interest than six per cent. were made void so far only as regarded the excess of interest above six per cent. It was in 1859 that the restrictions upon contracts with respect to interest were entirely removed, with certain limited exceptions, and by 22 Vic., chap. 85, passed in 1859, persons were allowed to agree for and recover any rate of interest which might be contracted for, but six per cent. per annum was *continued* as the rate in all cases where by agreement or by law interest was payable and no rate was fixed by the parties or by law. This enactment has been substantially continued to the present time.

An examination of the laws of the other provinces where a fixed rate of interest has been provided for, will show that this rate was also the outcome of early usury laws, and that it was not fixed because it bore any defined percentage to the prevailing rate of interest, or because the rate after default should be less than the rate agreed on before default took place.

2. Any change in the present law relating to the rate of interest when not agreed on by the parties, would affect the great bulk of commercial transactions in Ontario, and probably in the other provinces. Sec. 57 of the Bills of Exchange Act, gives to the holder of a dishonored bill the right to collect "interest thereon from the time of presentment for payment if the bill is payable on demand, and from the maturity of the bill in any other case." The Ontario Judicature Act provides by sec. 85 that "interest shall be payable in all cases in which it is now payable by law, or in which it has been usual for a jury to allow it," and by sec. 86 that "upon any debt or sum certain payable by virtue of a written instrument, at a certain time, interest may be allowed from the time when the demand of payment is made in writing, informing the debtor that interest will be claimed from the date of the demand."

It will be seen that the following transactions would be directly affected by the proposed measure : (1) Bills of exchange, promissory notes and cheques ; (2) All contracts under which interest is payable without a rate being fixed ; (3) All written instruments under which any debt or sum certain is payable at a certain time, though no mention be made of interest ; (4) All debts or sums certain payable otherwise than by virtue of a written instrument at a certain time (in other words, accounts) if the creditor demands payment and informs the debtor that he claims interest ; (5) All cases in which it has been usual for a jury to allow interest.

It will be observed that in some of the cases above the law is permissive and says that interest *may* be allowed, but the courts have not, unless under very exceptional circumstances, withheld interest, so that although permissive in form, the law is substantially imperative.

SUMMARY OF THE ARGUMENTS PRESENTED TO THE COMMITTEE ON BEHALF  
OF THE BANKERS BY MESSRS. WALKER, WILKIE AND HAGUE

BEFORE the introduction of this bill there had been no expression of opinion in favor of such legislation, nor had anyone essayed to adduce evidence that a grievance existed among any portion of the community. And so far from the latter being the case, if this legislation were to be enacted, in any instance where through the carelessness or ignorance of a lender it might come to be applied, it is apparent that it would, in existing circumstances, be *creative* of a grievance.

No precedent could be found for the rate that was now proposed ; and the rate is entirely unknown for ordinary loaning operations.

In the debate in the House the subject was discussed largely in its relation to mortgage loans, which it was urged could now be negotiated in parts of Canada at five to five and one-half per cent. on the best securities, and a great deal was made of the benefit which would accrue to the farmer from such a law. It has for a long time, however, been the practice to embody in all mortgage forms a provision for a stated rate of interest, in case of default in either principal or interest, so that the question has at present no practical bearing on this class of loans.

It is then with regard to the obligations of the mercantile community almost exclusively that the proposed measure should be considered, and for this business six per cent. is the minimum rate for the best class of transactions. Even municipalities have to pay from five to six per cent. for loans for current business, although they can borrow on debentures at a very much lower rate.

There are two aspects in which the proposed legislation should be considered : (1) on the assumption that such a law would in practice come to be applied to a considerable percentage of transactions which would be allowed to run past due without an agreement as to the rate of interest ; and (2) on the assumption that the lenders would in almost all cases protect themselves in one way or other so as to render the law a practical nullity.

To deal with the matter in each aspect separately :

I

A legal rate of interest in a vast majority of cases only becomes operative when some contract has been broken—some bill, note or loan not paid at the time agreed upon. Whatever reasons there may be for fixing by statute the rate of interest to be paid where no agreement is made, no rate should be fixed which would be a direct inducement to the borrower to make default in the payment of his obligations, and any statute which would have this effect could not fail to be greatly detrimental to the public interest as a whole. It is clear that the proposed measure, if enacted, would have such an effect, unless lenders guarded against it by the manner of framing their contracts. A man might borrow money for three months at six per cent., refuse to pay at maturity, and by various devices obstruct the collection of the debt for a period of greater or less duration, for which time interest could only be collected at four per cent., no matter what the value of money might have been.

If, owing to the inducement held out to borrowers to make default in payment, this practice should largely prevail (and, as individuals are generally controlled by self-interest, it doubtless would if practicable largely prevail), the result could not fail to have an injurious effect upon the investment of capital in Canada, with the ultimate consequence of increasing the prevailing rate of interest, as low rates are dependent on a high class of security and promptness in payment.

As rates of interest fall, the tendency should be rather to keep the statutory rate higher instead of lower than the prevailing rate for mercantile transactions. Instead of rewarding the obligant for want of promptness in payment, the law should rather remunerate the lender for the breach of contract. That these principles prevail in Great Britain is evident from the fact that, although mercantile paper is frequently discounted at a fraction of one per cent. per annum, and seldom reaches the rate allowed by the courts when the parties have not agreed upon it, the rate so allowed largely exceeds the average rate upon mercantile transactions.

If such a law would indeed effect anything in the direction which it seems to be the intention that it should, it would only benefit dishonest borrowers, leading to breaches of contracts and litigation, while remedying no grievance.

## II

Lenders, however, have at all times been able to protect themselves against legislation of this character, and that the present measure would not benefit debtors at the expense of the creditor class, experience abundantly proves.

Mr. Lister had urged that because of this—because the lender could and would protect himself, there could be no objection to the bill, altogether overlooking the trouble and irritation it would cause, and the inevitable disadvantage at which the poorer class of borrower would be placed.

If the lender did not provide in the contract for a higher rate of interest after default, his tendency would be in the majority of cases to press for payment of the loan so soon as due, thus entailing inconvenience and possible hardship upon the borrower, or forcing him then to make an agreement for a higher rate; whereas if the rate were left as it now is, viz., the same practically as the prevailing rate in commercial transactions, the lender, assuming the security to be satisfactory, would have no inducement on account of the rate of interest to inconvenience the borrower by pressing for immediate payment.

It was first declared many years ago by an eminent economist, and has since become recognized almost as a first principle of economics, that all legislation attempting to restrict the rate of interest for money operates as a tax on the *needy* borrower. Of the truth of this it is easy to find evidence.

In many of the western states of the United States where the legal rate of interest is lower than the current rate, provision is made in note forms for the insertion of a rate of interest to be charged in case of default, a situation which results in the borrower in most cases exacting a higher rate after maturity wherever it is possible to do so—that is to say, always in the cases of *needy* borrowers.

Prior to 1859, when no contract to pay a higher rate of

interest than six per cent. was allowed in Canada by law, it was the practice to take a bond from the borrower, agreeing to pay a commission on the loan, and the borrower had not only to pay the lawyer in such cases for drawing the bond, but whatever premium he had to pay was made heavy because of the risk of the transaction being declared illegal; and the more needy the borrower the more exacting were the terms. "The rate of interest is invariably increased according as the laws intended to reduce it become more severe, and diminished according as they are relaxed." \*

If wholesale merchants had to accept four per cent. on the accounts in their books for goods sold, where no agreement as to the rate existed, they would doubtless head their accounts, "Interest at eight per cent. (or ten per cent.) per annum charged on overdue accounts," as was customary some years ago.

Under the operation of such a law as is proposed, if a well-to-do borrower discounted a line of trade bills with a bank, the latter would want a covenant from him to pay a certain rate of interest—at least six per cent.—in the event of any of these bills being dishonored, and the borrower would therefore have to insert in the notes taken from his customers—no matter what their credit and standing might be—a provision for the higher rate at maturity. To the merchant in high credit the necessity for stipulating as to the rate on the supposition of default being made would for a long time be regarded as an implied insult.

The effect of turning the attention of the lender to the necessity of protecting himself would inevitably result in other conditions being inserted in notes which are not in use now in Canada. The only kind of notes in frequent use here containing special contracts are lien notes, and these have been spoken of in Parliament more than once with a desire to make them illegal if possible. The condition of the laws in the Western States has frequently led to the use of note forms containing a confession of judgment, and while this might not be legal in this country, it serves as a further illustration of the results of laws of a similar character to that proposed by the present bill.

The Bills of Exchange Act in Canada has been brought into harmony with the English Bills of Exchange Act. In



England bills of exchange and notes have been divested of everything but the simple contract to pay, the result of the high position of English credit and commercial integrity, and it is a great credit to Canada that bills of exchange and notes are in the same position here.

From whatever aspect, therefore, the matter is viewed, it is clear that such a measure would be to the last degree undesirable and mischievous.

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In the debate in the House the view seemed to be widely held that it is in the interests of a community that low rates of interest should prevail, and even that if it were possible to achieve that result by restrictive legislation, it would be desirable to do so. The theory involved herein that the prosperity of a country is heightened by the prevalence of low rates of interest, was strongly combated by the bankers. The case of Holland was cited, where from 1795 to 1817, with no usury laws in force, the rate of interest on ordinary mercantile business ranged from three to five and a half per cent.—lower than in any other country in Europe—while industries were decaying and trade steadily languishing. The lowness of interest in Holland was the necessary effect of the circumstances in which that country was placed; of the lowness of profits caused by oppressiveness of taxation and the deficient quantity of fertile soil. This is one of many such illustrations of the economic doctrine that the rate of interest is mainly determined by the profits of trade—that is, that the average rate of interest bears a well defined relation to the average profits obtainable from trade operations.

“Instead of a low rate of profit, and a low rate of interest, for the one must be always directly as the other, being any proof of the flourishing situation of a country, it is distinctly and completely the reverse. High profits show that capital may be readily and beneficially invested in the different branches of industry, and wherever this is the case, it will be better for the borrower to pay a higher rate of interest than it would be for him to pay a lower rate in countries where there is less facility of employing his stock with advantage. The borrower who pays ten or twelve per cent. for capital in the United States, generally makes a more profitable bargain

"than the English borrower who pays only four or five per cent. It is obviously not by the circumstance of the rate of interest payable on loans being absolutely high or low, but by the proportion between that rate and the average rate of profit, that we must determine whether they have been obtained on favorable or unfavorable terms."\*

We are not so rich in Canada that we can afford to advertise to investors at large that returns on capital are so low that we have made our legal rate one-third lower than that of any of the United States.

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\*McCulloch; *History of Interest*

## PRIZE ESSAY COMPETITION, 1896

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THE announcement of the subjects selected by the Essay Committee for the Competition of 1896 was made by circular to the Associates on 26th January. The following are the subjects and conditions :

### SENIOR COMPETITION

*The future of Banking.*

A first prize of	-	-	-	-	\$100
A second prize of	-	-	-	-	60

### JUNIOR COMPETITION

*The best method of book-keeping for a country bank agency, with suggestions for returns to head office.*

A first prize of	-	-	-	-	\$60
A second prize of	-	-	-	-	40

### CONDITIONS

Competitors eligible for the Senior Competition will comprise Managers and Senior Officers who have had a banking experience of not less than 10 years.

Competitors eligible for the Junior Competition will comprise all under 27 years of age, whose banking experience does not reach 10 years.

The essays in either subject are not to exceed 10,000 words. *All essays must be typewritten*, having the writer's nom-de-plume or motto, also typewritten, subscribed thereto, and be lodged with the Secretary-Treasurer not later than the 30th day of April.

The address on the envelope containing the essay must be typewritten, and to insure identification of the essayist, a separate sealed envelope, containing the name, rank, and place of employment of the competitor, and with his nom-de-plume or motto on the outside, must also be mailed.

A Special Committee will examine the essays and decide the prize-winners.

The Prize Essays will remain the property of the Association.

The envelopes of successful competitors only will be opened, except on request.

## NOTES AND MEMORANDA

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THE magnitude of the South African gold mining speculations has made those which followed the earlier great gold discoveries of Australia and California appear almost insignificant. This is of course due in a great part to the fact that there is so much more substance in the mines themselves in the present instance, but the changed conditions of modern business are also largely accountable for the phenomena. Indeed, conversely, a better illustration could scarcely be found of the change that has taken place in the organization of the commercial system. The contrasts presented are interesting. In the Australian and Californian excitements participation in the gamble involved the sacrifice of business occupations, hardships to be endured, and the exertion of great physical effort. All this was saved to the acquirer of property in South Africa upon which the existence of gold—however uncertain the quantity—could be established, by the modern device of forming a joint-stock company, which, while enabling him to realize a large part of the *speculative* value of the property while still retaining the control, has shifted the burden of the gamble to the subscribers to the company's stock. In this manner the scene upon which the "mania" finds vent is transferred from the mines to the stock exchanges, the actual miners being but laborers.

It is to be remembered, of course, that the character of the mining in both Australia and California favored the working of small tracts by individuals, but one can scarcely doubt that even if production could be carried on in the same manner in South Africa, the mines would be controlled by corporations just as they are now.

It certainly is possible that the development of the South African gold fields may have the effect of disturbing the relation of value between commodities and gold to a greater extent than anyone now apprehends. It is true that the depreciation in the value of gold which ensued after the Australian and Californian discoveries was not of a serious degree. It is true, also, that

the world's stock of gold is so much larger now and the annual production so relatively small, that any increase in production would have to be very great before it would have a pronounced effect on the value of the metal, but estimates based on data which appear to be something else than guesswork, indicate that the production during the next thirty years may be enormous. On this point the unanimity of opinion among experts who have investigated the matter and reported on behalf of various interests, is striking.

From an article in a recent number of the *Investors' Review* dealing with the subject at some length we make the following excerpt :

"The gold districts, as far as they are at present known, all lie within the boundaries of the Transvaal; we may overlook the Knysna (Cape) failure, the poor gold deposits of the Free State, and the problematic treasures of Matabele and Mashona lands. The first important discovery was made by Mr. Moody in the De Kaap district, situated in the eastern part of the Republic, and now reached by a branch line of the Delagoa Bay Railway. It led to that huge inflation which drove Sheba £1 shares to £50, and ended with the wretched collapse caused by Mr. Gardner Williams' too pessimistic report. Soon after the De Kaap fiasco, the active "prospecting" which went on all over the country resulted in the discoveries near Witwatersrand, the escarpment which divides the watersheds of the Vaal and Limpopo rivers. The result of these discoveries was at first considerably hampered by the inaccessibility of the "Rand";<sup>1</sup> everything had to be sent thither by bullock-wagons, either from Natal or Kimberley, for the "rivers" are not navigable, because they are seething torrents when there has been much rain, and dry gulches when there has not. Moreover the woodless country supplied neither timber nor fuel, and hence none but the richest ores could be worked at a profit, at least 5 oz. of gold per ton being deemed necessary for paying work. Nevertheless the gold shipments from this district soon reached important figures, and in spite of numerous obstacles the production grew every month. The result was a gradual improvement in the means of access, culminating in the construction of the railway. Good coal fields were discovered in the neighborhood, the supply of native labor was well taken charge of by an excellent Chamber of Mines, the water supply was looked after, and going hand-in-hand

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<sup>1</sup>Rand is Dutch for edge, escarpment.

with the technical improvements to which we shall refer presently, these changes brought about a cheapening of production which placed ever-increasing bodies of poorer ore within the reach of the industry.

"Extreme regularity constitutes, as is well known, the great feature of the Witwatersrand gold veins. The principal reefs, which run east and west, are three in number; they are called the Main Reef, the Main Reef Leader and the South Reef. The Main Reef is the thickest, but at the same time the poorest, body of ore; it only runs about six dwt. to the ton, and is not run by the principal companies, though in many cases it "stands developed." The Main Reef Leader runs as a rule from one foot to three feet away from the Main Reef, and sometimes directly along it; and the South Reef, which consists of a layer of rich "stringers," is on the average 150 feet away from the Main Reef. The dip of all these Reefs is to the south, at an angle which varies rather considerably: it is, for example, only between fifteen and thirty degrees on the Simmer and Jack, whilst on the City and Suburban it is between sixty and seventy. Generally speaking, the dip increases towards the west. There is also a difference in the quality of the ore, both horizontally and downward; but all these gradations are well known in the older portions of the Rand, that is to say, with here and there an exception, from the Simmer and Jack in the east to the Langlaagte properties in the west, a distance of about thirteen miles. Over the entire portion the contents of well nigh every mine have been thoroughly investigated, and are almost exactly known. The reefs run their regular course everywhere, and have neither "faults" nor erratic qualities of the opposite kind. Mr. Hamilton Smith, who examined this portion of the Rand for the Rothschilds, estimated it to contain, up to an inclined depth of 5,200 feet, gold to the value of £215,000,000. The same authority is willing to allow at least half that amount as representing the value of the other thirty miles of the Rand; and hence he believes that there is about £325,000,000 gold in this district,—an estimate which tallies very well with that of the German expert, Dr. Schmeisser, who was sent to these fields by his Government. . . .

"If one believes no more than one sees, the gold deposits of the Rand still appear marvellous. Even if there are no further discoveries, there is enough ore in sight to supply a solid basis for a great industry, although it lies in the nature of things that the veins must become exhausted—it is usually supposed in about thirty years from now. And a great industry has been reared. The long row of tall iron chimneys and yellow heaps of tailings, along which one travels for miles before the humble Park Station is reached, at once convinces

the visitor that this industry has reached dimensions which we in Europe do not realize; and closer acquaintance rather emphasizes this impression than otherwise."

Dealing, however, with the fabric of speculation, which has been reared on the reality outlined above, the writer has this to say :

"The principal aim of the Witwatersrand magnates was to hold the Rand firmly in their grip, come what may; and the way they have, in a two-fold sense, 'secured' control cannot fail to command admiration. Less than a dozen men, who mostly came from Kimberley eight years ago without extraordinary resources, have managed to hold the whole industry firmly in their grip throughout its career, from the time the whole 'interest' could be bought for a couple of millions until to-day; now it represents over £200,000,000, according to market quotations. Perhaps their hold is firmer now than it ever was before, for within these eight years they have acquired gigantic fortunes, which probably represent half the wealth of South Africa, and give them undisputed sway over the country.<sup>1</sup> To attain this end has been possible, because from the very start 'control' has been made the feature of Witwatersrand financing. To-day every company is controlled by one out of half a dozen rings; but there has never been a day when it was otherwise. . .

"How are prices inflated? Even on the basis of sanguine estimates the present quotations are dangerously high. Last year the yield was, say, 2,000,000 oz. of gold, worth £7,500,000; one-third of the yield is gross profit, and the latter therefore reached £2,500,000 or thereabouts; £1,580,000 was paid in dividends; and the rest must have been sunk into the properties. This year the yield may reach 2,500,000 oz.; next year, when there will be 50 per cent. more stamps at work than in 1894,<sup>2</sup> it will very likely reach 3,000,000 oz. Although it is questionable whether speculation should discount profits more than a year ahead, we will take the 1896 result as an admissible basis for the present prices. 3,000,000 oz. are worth £11,500,000, of which one-third, or £3,830,000, will be gross profits. Now, if the proportion of profits reinvested in the properties is the same as in 1894, that is, two-fifths, there will remain £2,300,000 for dividends. The present market value of Witwatersrand gold shares is over £150,000,000; a market value which would

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<sup>1</sup>"It is only fair to say that they also deserve this because of their astuteness. The leading Rand firms have a well-equipped intelligence department, which keeps them well informed on all subjects, and enables them to put their finger into every pie."

<sup>2</sup>"2,900 stamps will probably be crushing at the end of the present year."

yield on the average in 1896 the magnificent sum of 1.53 per cent., *without making allowance for the gradual exhaustion of the properties.* Not one of the best established mines now yields more than  $3\frac{1}{2}$  per cent. net to purchasers of their shares; but, owing to the existence of so many non-paying properties, the general average is reduced, on the basis of the returns for the past half-year, to barely one-third of that figure. Of course there can be no doubt of the result of such an inflation. May be our public has on the whole been clever enough to make the French pay the piper; but that a collapse must come somewhere, and come soon, is as clear as day. There never was a 'boom' yet that carried no 'break' in its wake, and the more exaggerated the rise, the more violent the reaction. And besides the inflated prices we have to think of the new promotions, whose lavish advertising has within a few months created a whole mushroom 'financial' press.<sup>1</sup> One shudders to think of the result."

The writer of the above could hardly have looked to see a partial fulfilment of his prophecy brought about so soon as was the case. The article appears to have been written in September, in the early part of which month the market quotations for the South African securities were at high water mark. In the early part of October a reaction set in, and the slump in values was so steady and continuous during the entire month, that in the last week, in order to avert a panic and disastrous collapse, it became necessary for Barnato to support the market. The total purchases made on his account and for the interests represented by him, are said to have aggregated £3,000,000—sufficient to save the market for the time being. In the brief space of about four weeks, however, the total market value of South African stocks—which in September was £215,000,000—had shrunk £71,000,000, or thirty-three per cent. The full extent of the disasters on the stock exchange which resulted from this enormous shrinkage was not revealed to the public, a number of the defaulting members having been carried over by wealthier members "in the general interest."

But severe as this experience has been, it was not such a catastrophe as the writer of the article quoted had before his vision—that has yet to come.

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<sup>1</sup> "Nearly all new companies are nothing but "wild specs," especially the "Rhodesia" ones. The presence of gold in Rhodesia in paying quantities is disputed by most experts."



## QUESTIONS ON POINTS OF PRACTICAL INTEREST

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**T**HE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

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The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee :

### *Bill for Collection Recalled after being Marked Good*

**QUESTION 25.**—A bill is presented by a collecting bank on the morning of the day it falls due, and is duly "marked good" by the bank at which it is accepted payable. Later in the day the collecting bank receives a telegram from their correspondent to return the bill. What is the proper course for the collecting bank to pursue in view of the fact that the bill has already been marked good?

**ANSWER.**—The bank's duty in such a case clearly is to advise its correspondent of the acceptance of the bill by the bank at which it is payable, and to ask further instruction. It should not permit the cancellation of the "marking" in any event.

### *Prefix "Mrs." to a Signature*

**QUESTION 26.**—Does the word "Mrs.," placed before a woman's signature as an endorsement, invalidate it in any way?

**ANSWER.**—No. The sole question in all these cases is that of identity, and assuming that the name with "Mrs." prefixed is written by the payee of the cheque, the endorsement is valid.

### Stamped Endorsements

QUESTION 27.—(1) What does the following stamp signify to the bank on whom a cheque is drawn when placed on local cheques, as regards former endorsements?

For Deposit only  
Through ..... Clearing House  
Feb. 19th, 1896  
To the credit of the Bank.....

*pro Manager.*

(2) Would a bank be justified in refusing to pay a cheque, made payable to John Smith and endorsed "John F. Smith," with the above stamp under Mr. Smith's name, without a guarantee of endorsement? Could a bank demand that the endorsement be guaranteed?

ANSWER.—(1) As to the effect of the common form of stamped endorsement of banks on cheques passed through the Clearing House, the reply to question 14 in the October number of the JOURNAL covers all that we could say. Under the law, as understood here, the presentation by any bank of an item for payment by the bank on which it is drawn, involves an implied representation that it has the right to collect the amount, and if any of the prior endorsements should prove to be forged or unauthorized, so that as a matter of fact it had not the right to receive the amount, it would be bound to pay it back.

The recent judgment in *London & River Plate Bank v. Bank of Liverpool*, reported and discussed in this number, is, however, very disturbing, and if not reversed on appeal, will entirely change what is supposed to be the position of the law on this point.

(2) A bank is not bound to, and we think should not, pay a cheque drawn in favor of "John Smith" or order and endorsed "John F. Smith," for the reason that the endorsement is irregular. It follows that if the bank is willing to cash the cheque, it has a right to ask whatever guarantee it thinks proper.

### Deposits in the Names of Two Parties Jointly

QUESTION 28.—Some banks issue interest bearing receipts and open savings bank accounts to say "Jno. Smith and Robt. Jones, both or either," and pay the money on one signature. Suppose one of the parties dies, ought the bank to pay on the signature of the survivor?

ANSWER.—We understand that payment to the survivor is proper, even when the deposit is made without being repayable

to "both or either." The control of the joint deposit passes, by our Ontario law, to the survivor, and he is entitled to receive the amount from the bank. The point is, of course, much clearer when by the terms of the original deposit either party was entitled to draw the money.

*Hour at which Bills may be Protested*

QUESTION 29.—Can a cheque be protested for non-payment before three o'clock on the day of presentation ?

ANSWER.—A formal protest of a bill or cheque cannot be effected before 3 o'clock ; see section 51 Bills of Exchange Act. The presentment by the Notary may, however, be made at any time during the day. If, for instance, a Notary presented a cheque at the bank immediately after 10 o'clock in the morning and it was refused, it would be a valid protest if he were simply to hold the item in his hands, without taking any further steps, until after 3 o'clock, and then protest it without further presentation. Such a course would be very inconsiderate, but we are only dealing with the legal aspect.

It must be borne in mind that (except, perhaps, in the province of Quebec) a protest is a matter of no great importance ; it is useful only as an evidence that the bill has been presented and dishonored, and that notices of dishonor have been sent to the parties. Evidence of any other kind is just as effective.

*Writs of Garnishment*

QUESTION 30.—Smith owes Jones, who cannot collect his debt. Jones hears that Brown is going to give Smith a cheque, and has a writ of garnishment issued and left at the chartered bank on which the cheque is drawn. The bank tells Smith that he had better go and arrange it with Jones, which Smith does. Could Smith have protested the cheque and held the bank liable ? What action should the bank have taken in that case if they had failed to avoid the main issue as they did ? The teller in this case held the cheque presented by Smith under the writ of garnishment, but suppose Smith had demanded same through his lawyer ?

ANSWER.—We are advised that the garnishee order is quite ineffective in such a case, and that if the bank refuses to pay the party presenting the cheque merely on the ground that the money was attached by the writ, it would be liable to the drawer of the cheque for damages for dishonoring his cheque. We understand that only moneys due or accruing due can be held under garnishee proceedings. At the time the writ was served in the case mentioned there was clearly

no money due or accruing due to Smith. In the reply to question 16 in the October number and to question 19 in the January number, some principles that apply to the present inquiry are fully discussed.

### *Note Delivered without Endorsement*

QUESTION 31.—(1) Is the maker of a note which is overdue protected in the payment of the same, to any one presenting it, upon having note delivered up to him without the endorsement of the payee?

(2) Can such possessor of a note (the note not having been endorsed over to him by payee, he could not, I take it, be considered the holder in law), be he Tom, Dick or Harry, enforce payment by suit against the *maker* without obtaining the payee's endorsement?

ANSWER.—The question involved in each case is whether the party in possession of the note is the owner of the claim which it represents. He might become so by an assignment as well as by endorsement, but unless he is able to show a good title to the note, he has no right to collect it or to sue the maker, and if, as a matter of fact, he has not a good title, the maker would not be protected against the true owner if he paid the note.

### *Post-Dated Acceptance*

QUESTION 32.—A bill of exchange payable one month after sight is presented for acceptance on the 12th January. The acceptor writes his acceptance across it, but adds as the date "16th January." The holder pays no attention to the latter date, but treats the acceptance as of the 12th, presenting the bill for payment at maturity calculated from the 12th. The party refuses payment on the ground that the maturity must be calculated from the 16th, and the bill is protested for non-payment.

Is the holder justified in protesting the note, or having taken the acceptance without demur, is he obliged to abide by the date which the acceptor added?

ANSWER.—Section 54 of the Bills of Exchange Act declares that the liability of an acceptor is to pay a bill "according to the tenor of his acceptance." This seems to involve in the case put, that the obligation of the acceptor is to pay the bill at one month and three days after the 16th, the date which forms part of his acceptance. C therefore would not be justified in protesting the bill on the date mentioned, because he would have no claim on B until the time fixed by the acceptance should come round.

Under such conditions as the above the drawers and endorsers would be discharged, the holder having taken an acceptance which varied the effect of the bill as drawn. See the reply to question 24 in our January number.

*Dower Interest in Encumbered Lands*

QUESTION 33.—What general rule should be adopted by a banker in estimating a customer's financial position, where the assets of such customer consist of encumbered real estate, taking into consideration the possibility of a claim for dower against such lands? To what extent would the security of a loan to such a customer be affected by his marrying subsequently to the making of the loan?

ANSWER.—The only general rule we can suggest is that it should be assumed that in the event of the bank wishing to come against the property, it would sell for much less than the valuation put upon it; that the encumbrances would be increased by interest, taxes, insurance premiums, etc.; and that against any surplus then remaining, there would be chargeable the dower interest, which might exhaust the whole surplus. What this may amount to in money may be estimated by taking the present value, calculated according to the usual tables, of a life-annuity equal to one-third of the estimated income derivable from the full value of the property.

Upon marriage the property becomes charged with the dower interest subject only to existing mortgages.

## LEGAL DECISIONS AFFECTING BANKERS

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### NOTES

*The Right to Recover Money Paid to a Person not Entitled to Receive it.*—In the answer to query No. 14 in the October number we discussed the question of the right of a bank that has paid a cheque or bill of exchange to another bank, to recover the money paid, upon it subsequently transpiring that the bank which received the amount had not a good title. The leading case in our courts on this point is *Ryan v. Bank of Montreal*, and the banks in Canada as a whole have undoubtedly been relying on the soundness of the principle of law on which that decision was based. Its equity needs no defence, for the bank presenting a bill for payment is the only one, in the nature of things, that can make sure that the links in its title are good. The bank on which a bill or cheque is drawn could not possibly be in this position; it is its duty to know the drawer's signature, and to assume the responsibility for its genuineness, but it is manifestly out of the question that it should be made responsible for the genuineness of, or authority for, the endorsements. The bank presenting the item would only receive it on deposit from a respectable customer, and the responsibility of accepting his title should rest with it.

The judgment in *London and River Plate Bank v. Bank of Liverpool*, reported fully in another column, is, however, entirely contrary of this view. The Court there held that if after a bill is paid such an interval of time should elapse that the position of the previous holder *may* have been altered, the money cannot be recovered from him, notwithstanding that the endorsements on the bill should prove to be forgeries. The judgment will probably be appealed, and we have little doubt that it will be reversed. We have, however, in view of the emphatic opinions we have expressed from time to time on this point, thought it best to publish the present judgment in the case for the benefit of our readers.

The reasoning in the judgment will not, we think, bear very close examination. On one point this is especially the case, *i.e.*,

the reference to the position of the Bank of Liverpool, which received the money from the bank on which the bill was drawn, to the effect that it would be seriously compromised if it were now compelled to repay, because it was not discovered for some months that there was a defect in the bill, and meanwhile they had lost their right to give notice to the prior endorsers that the bill had not been paid. As has been frequently pointed out in our columns, the right to recover does not depend upon any notice of protest or dishonor, nor, indeed, upon any provision in the Bills of Exchange Act, but simply on the common principle that a bank receiving money which at the time it had no right to receive, is bound to pay it back, and the learned judge's argument would have been just as sound if he had reasoned in this particular case that the Bank of Liverpool would *not* be compromised if it were compelled to repay, because it had paid money to its immediate endorsers under an implied representation that their title to the bill was good, and had a right to recover it from them.

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*Blank Transfers of Shares—Assignments of Shares by Endorsement on the Certificate.*—In *Fox v. Martin* and *Smith v. Walkerville Malleable Iron Co.* we have given full reports of legal findings bearing very directly on certain features of the ordinary banking business in Canada, connected with loans on stocks, where transfers are made on the back of the certificates and not at once registered in the books of the company. It is clear from these cases, and from other considerations that have from time to time been brought forward, that security acquired in this manner is surrounded by serious risks. It is not to be supposed that the large corporations whose stocks are freely dealt in on the faith of these certificates, would permit any transfer without their surrender, and possibly in their case the risk of this is trifling. There are, however, other risks even with the larger companies, one of which is indicated in *Fox v. Martin*—that is, that a transfer in blank delivered to a bank by a party who in most cases is well known not to be the owner of the shares, but to be merely carrying them for a client, if not completed by transfer on the company's books, might leave the bank open to a claim by the true owner. There is also the danger that the "irrevocable power of attorney," which such

transfers in blank usually contain, may be rendered invalid by the death of the party in whose name the shares stand.

The best protection against such risks would appear to be the completion of the transfer on the books of the company as soon after the receipt of the certificate as possible.

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*Securities Under Section 74 of the Bank Act.*—In *Halsted v. Bank of Hamilton* we have a further discussion of the rights of banks with respect to securities taken under section 74 of the Bank Act, but we do not see that any new principle is involved in the judgment. The case seems to turn on the fact that although the Bank of Hamilton discounted certain notes for a customer, and at the time they discounted the notes took certain assignments of goods as security, the transactions did not amount to a "negotiation" of the notes in question, because by the terms of the contract the money was not placed to the customer's credit in such a way that he was entitled to draw against it. It is settled law that where a bank negotiates a bill or note, and actually passes the amount to the credit of its customer in the ordinary way, the bank becomes a holder thereof for value. The principles here involved were fully discussed in the case of *Royal Bank v. Tottenham*, the judgment in which was referred to in our issue of September, 1894. In the case under review the bank did not credit the proceeds of the particular notes in the ordinary way, and in effect never placed the amounts at the disposal of the customer at all, the subsequent cheques against the account being practically withdrawals of the proceeds of the customer's trade paper, credited to a second account, kept in the customer's name.

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#### QUEEN'S BENCH DIVISION, ENGLAND

#### Metropolitan Bank, Limited, vs. Coppee\*

Guarantee—Release of principal debtor—Assent of surety.

This was an action brought by the Metropolitan Bank, Limited, (of England and Wales) formerly known as the Metropolitan, Birmingham, and South Wales Bank, Limited, against

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\*From the fuller report in the TIMES LAW REPORTS.



Mr. Evence Coppee, of Brussels, claiming £1,965 6s. 5d. upon a guarantee. The substantial question was whether the defendant was liable in respect of an item endorsed on the writ, "past due bill," under the following circumstances: By an agreement in writing, dated January 1st, 1892, the defendant and one R. W. Soldenhoff jointly and severally guaranteed to the plaintiffs the repayment on demand of all moneys which should at any time be due to the plaintiffs from Evence Coppee & Co., Limited, on the general balance of their account with the plaintiffs to the extent at any one time of £2,000, such balance to include all interest, charges for commission, and other expenses. By the terms of the guarantee it was provided that the plaintiffs in any case were to be at liberty, without the further assent or knowledge of the defendant or Soldenhoff, at any time to grant to the firm of Coppee & Co., Limited, any time or indulgence, and to renew any bills, notes, or other negotiable securities, and to compound with the said firm or any person liable with them, as the plaintiffs might think fit, without discharging or in any manner affecting the liability of the defendant or the said Soldenhoff under the said guarantee. The bill was drawn by Evence Coppee & Co., Limited, and accepted by one Rogers, and the plaintiffs were holders thereof for value at maturity. The bill not being paid at maturity, the plaintiffs sued Rogers to judgment and issued execution against him and seized his goods. The case for the defendant was that, without the consent and against the instructions of the said Evence Coppee & Co., Limited, the plaintiffs withdrew the said execution, whereby the position of the said company as drawers to the said bill and sureties for the said Rogers was prejudiced. Under these circumstances the defendants contended that Evence Coppee & Co., Limited, were discharged from their liability to the plaintiffs as drawers of the said bill, and that the amount of such bill was not properly included in their account, and that the defendant was therefore under no liability for the same under the said agreement. The plaintiffs contended that Rogers was a person liable with Evence Coppee & Co. within the meaning of the guarantee, and that, even if the plaintiffs did act in the manner alleged, such acts did not by virtue of the terms of the guarantee discharge the defendant from liability.

They further contended that certain letters showed that the true transaction was that they had entered into a composition with Rogers, and that therefore by the terms of the guarantee the defendant remained liable.

Mr. Justice Collins, in giving judgment, said that after execution had been put in against Rogers some discussion took place, and a threat was made by Rogers that unless he had an opportunity of realizing his assets he would file his petition in bankruptcy, and that in that case the bank would get nothing. Thereupon a suggestion was made that if time were given to Rogers he might float some shares in Paris and pay the plaintiffs *pro rata* with the other creditors. It was quite clear that abandoning the security as against the principal debtor released the surety, and therefore abandoning the execution against Rogers released Coppee & Co. from liability, and, being released, their surety would be entitled to say he had to pay nothing, unless he had assented to the plaintiffs dealing with Rogers in the way they had, and therefore the question came down to one of construction upon the clause in the guarantee. Rogers might be viewed as a person liable with Coppee & Co. True, he was not a joint debtor with them, but it was upon the same instrument and for the same amount. Then, was what passed between the plaintiffs and Rogers a composition with Rogers? If so, the defendant would, under the terms of the guarantee, not be released. A guarantee ought to be construed strictly. The evidence was not very clear, but letters had been put in which made it pretty clear what the transaction was. Rogers threatened to petition if execution were levied. He held out hopes of being able to pay a composition if time were given. After some negotiations the plaintiffs consented to withdraw execution on the terms that Rogers should have a fortnight's time within which to see if he could realize any of his assets, and that he should pay them 5s. in the pound if he could find money so to do; and it was arranged between the plaintiffs and Rogers that they would accept 5s. in that way if Rogers were able to pay it. The arrangement was in effect an agreement to take something less than the whole debt. The plaintiffs let Rogers go on the terms that he should do the best he could. If they had not done that, they would probably have got nothing. That amounted to a compounding within the meaning of the guarantee, and there must be judgment for the plaintiffs.

Since the above report was set in type the judgment has been affirmed by the Court of Appeal.

The London and River Plate Bank, Limited, vs. The Bank of  
Liverpool, Limited, and others\*

When a bill becomes due and is presented for payment, and is paid in good faith, and the money is received in good faith, if such an interval of time has elapsed that the position of the holder may have been altered, the money so paid cannot be recovered from the holder although endorsements on the bill subsequently prove to be forgeries.

Action tried without a jury before Mathew, J., in the Commercial Court.

On April 18, 1893, Hippolyto Garcia, a merchant in Monte Video, purchased, at the plaintiffs' branch establishment in Monte Video, a draft at 120 days' date, drawn on the plaintiffs in London, for £261 os. 11d., and made payable to the order of Fueyo & Co. The bill was drawn as usual in three parts, and on April 19 Hippolyto Garcia sent the first of exchange to his correspondents, Fueyo & Co., in Havannah, in payment of an account. On April 22 he wrote again to them, sending the second of exchange. Neither of these letters ever reached Fueyo & Co. On June 20 a person calling himself Pedro Garcia was introduced to Messrs. Loychate & Co. of Havannah. He produced the first and second of exchange of the draft purchased by Hippolyto Garcia at Monte Video on April 18, and he asked Loychate & Co. to discount the bill. The bill then bore endorsements of which the following are translations: "Pay to the order of Don Hippolyto Garcia. Monte Video, April 18, 1893. Fueyo & Co." "Pay to the order of Don Pedro Garcia. Monte Video, April 20, 1893. Hippolyto Garcia." Both these indorsements subsequently proved to be forgeries.

At the request of Loychate & Co. the so-called Pedro Garcia indorsed the bill, "Pay to the order of Messrs. Larrinaga & Co., value in account with Messrs. Loychate & Co. June 20, 1893. Pedro Garcia."

Loychate & Co. informed Pedro Garcia that they could not discount the bill until they knew whether it would be accepted; and on June 21 they wrote to Larrinaga & Co. enclosing the first and second of exchange, and asking them to telegraph when the bill was accepted. The bill was received by Larrinaga & Co. in Liverpool on July 6, and was presented by them for acceptance at the head office of the plaintiffs on July 7, and

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\*From the fuller report in THE LAW REPORTS.

was accepted. On July 10 Larrinaga & Co. telegraphed to Loychate & Co. that the bill had been accepted; and the next day Loychate & Co. paid to Pedro Garcia the discounted amount of the bill.

Pedro Garcia then disappeared, and could not now be found.

On July 12 Larrinaga & Co. wrote to Loychate & Co., acknowledging the receipt of the bill, "with which we credit your account subject to payment."

On July 31 Larrinaga & Co. paid the bill into their account at the Bank of Liverpool, and that bank passed the proceeds to the credit of Larrinaga & Co., who drew against the bill.

On August 19 the bill was presented for payment to the plaintiffs by Messrs. Glyn, Mills, Currie & Co., as agents for the Bank of Liverpool. It was paid by the plaintiffs; and the money was transmitted by Messrs. Glyn, Mills, Currie & Co. to the Bank of Liverpool.

On September 22 Messrs. Fueyo & Co. wrote to Hippolyto Garcia, asking for payment of their account; and on October 27 he replied, telling them what he had done on April 18 and 22, and sending the third of exchange. This reached the hands of Fueyo & Co.; and after some correspondence it was presented to the plaintiffs in London, and was accepted and paid by them on July 19, 1894. They then commenced this action against Glyn, Mills, Currie & Co., the Bank of Liverpool, and Larrinaga & Co., for the return of £261 os. 11d., as money received by the defendants for the use of the plaintiffs.

The action was discontinued as against Glyn, Mills, Currie & Co., and now came on to be tried as against the other two defendants.

MATTHEW, J.:—The learned counsel for the plaintiffs argued that if it could be shown that the plaintiffs had not been negligent when they paid the money over, it might be recovered from the Bank of Liverpool or from Larrinaga & Co. It was agreed that there was no evidence of negligence on the part of the plaintiffs; that when they paid the bill they paid it under the impression that it was a genuine bill, and that there were no means whatever of ascertaining that the indorsements on the bill were forgeries. It was said that the substance of the rule, that where there was

no negligence in a case of this sort, the acceptor paying a forged bill could get the money back, was recognized in the early case of *Price v. Neal*. In that case the acceptor of the bill (I am referring to one only of the two bills mentioned in the judgment), in the belief that the signature of the drawer was genuine, paid the amount. The bill turned out to be a forgery. In an action to recover the money paid to the holder, Lord Mansfield is reported to have said that the acceptor was bound to know the drawer's handwriting. From that it was argued that the foundation of the liability of the plaintiffs in such a case was negligence, and that if there was no negligence the acceptor was entitled to recover the money back. But that is not the decision. If the forgery was cleverly executed, reasonable care would not enable the acceptor to know that it was a forgery; and it would seem extraordinary that the right of the acceptor to recover the money paid to the holder should depend upon whether or not the forgery was cleverly executed. That is what it comes to. It was not said in that case that there had been negligence. Nor was it said that if there had been no negligence the action would lie. Neither of those propositions is laid down; and one or the other of them would have been indispensable to the position taken up by the learned counsel for the plaintiffs in this case. It seems to me the principle underlying the decision is this: that if the plaintiff in that case so conducted himself as to lead the holder of the bill to believe that he considered the signature genuine, he could not afterwards withdraw from that position; and no single case has been produced in which, where payment has been made on a forged indorsement to the holder of it in good faith, the money has been recovered back. This case was followed by another case, *Smith v. Mercer*, where it was said in the course of some of the judgments that, where a banker had paid a forged draft believing that it had been accepted by his customer, he ought to know his customer's signature. The same observations that I have made apply to that case. He may not be able by any amount of care to ascertain whether or not the acceptance was a forgery. That case, therefore, does not establish the principle for which Mr. Bigham contended. The true principle is developed in the clearest possible form in the case of *Cocks v. Masterman*. There was an intermediate case of *Wilkinson v. Johnson*, which stands by itself, and which we need not discuss. In *Cocks v. Masterman* the simple rule was laid down in clear language for the first time that when a bill becomes due and is presented for payment the holder ought to know at once whether the bill is going to be paid or not. If the mistake is discovered at once, it may be

the money can be recovered back; but if it be not, and the money is paid in good faith, and is received in good faith, and there is an interval of time in which the position of the holder may be altered, the principle seems to apply that money once paid cannot be recovered back. That rule is obviously, as it seems to me, indispensable for the conduct of business. A holder of a bill cannot possibly fail to have his position affected if there be any interval of time during which he holds the money as his own, or spends it as his own, and if he is subsequently sought to be made responsible to hand it back. It may be that no legal right may be compromised by reason of the payment. For instance, the acceptor may pay the bill and discover on the same day that the bill is a forgery, and so inform the holder of it, so that the holder would have time to give notice of dishonor to the other parties to the bill; but even in such a case it is manifest that the position of a man of business may be most seriously compromised, even by the delay of a day. Now that clear rule is one that ought not to be tampered with. It is one of the few rules of business which is perfectly clear and distinct at present, and, as it seems to me, it is unimpeachable. The rule has been recognized in the case of *Mather v. Maidstone*. In the particular case before me there cannot be a question that the position of the Bank of Liverpool would be seriously compromised if they were now compelled to repay this money, because it was not until months after that it was discovered that there was anything wrong with the bill, and meanwhile the Bank of Liverpool had lost their right of giving notice to Larrinaga & Co. that the bill had not been paid.

That leads me to refer to what was discussed by Mr. Carver, namely, the exact position of the Bank of Liverpool in the matter. The Bank of Liverpool and Larrinaga & Co. are both made defendants, and the plaintiffs' counsel was called upon to elect as to which he would proceed against. If Larrinaga & Co. had handed the bill for collection to the Bank of Liverpool, Larrinaga & Co. would be the proper defendants on the assumption of liability; if, on the other hand, the Bank of Liverpool were the holders of the bill by indorsement from Larrinaga & Co., the Bank of Liverpool would be the persons to sue, on the same assumption of liability.

In this case I am satisfied that the Bank of Liverpool were holders of the bill, that payment was made to them, and that they are entitled to retain the money. Therefore I think this action fails; and I give judgment for the defendants with costs.

## CHANCERY DIVISION, ENGLAND

## Fox vs. Martin\*

Where the owner of shares in a joint-stock company delivers a blank transfer of the same; to another for a special purpose, the delivery of the blank transfer by him to a third party would only convey such title as he had, and the third party holds the shares subject to the rights of the true owner.

The facts herein are as follows :

In September, 1893, the plaintiff, being the registered owner of shares in a limited company incorporated under the Companies Act, 1862, instructed the defendant Martin, a broker, to sell fifty shares at par for cash, agreeing to take Martin's acceptance for part of the purchase money to be received, with a view to accommodate Martin. The plaintiff, accordingly, forwarded to Martin a blank transfer of fifty shares signed by himself, the date, consideration, and name of the purchaser being in blank, accompanied by a certificate for the fifty shares.

Shortly afterwards the plaintiff also instructed Martin to sell another parcel of fifty shares in the same company at par, which were duly sold and transferred to a purchaser. The plaintiff, however, only received from Martin the purchase money for one transaction, which was paid by Martin, according to the terms agreed upon in respect of the first transaction, partly in cash and partly by Martin's acceptance. The plaintiff afterwards discovered that the first transaction had never, in fact, been carried out, but that Martin had deposited the blank transfer and certificate with one Barber, as security for Martin's own debt, with authority for Barber, in the event of non-payment, to fill in the name of a purchaser and deal with the same. The debt was not paid, and in consequence Barber filled in the name of a trustee for himself as purchaser for an expressed consideration of 5s., and sent the transfer so completed to the office of the company for registration, where it lay without registration being made from the 30th January, 1894, till the 16th of February following, when the company first received notice of the plaintiff's claim. Barber made no enquiry of the plaintiff, but believed that Martin had authority to deal with the shares in the way he did.

The plaintiff, on discovering the facts, brought this action

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\*From the fuller report in the LAW JOURNAL REPORTS

against Martin, Barber and his trustee, for an injunction to restrain the registration of the transfer, and for the delivery of the transfer to be cancelled, and of the certificate. An interlocutory injunction was granted, and the shares still remained registered in the name of the plaintiff. The articles of the company did not require a transfer of shares to be by deed, and only empowered the directors to refuse registration of a transfer where either the shares were not fully paid-up, or where the company had a lien on the shares. Neither condition applied to the present case.

The action was tried in the Chancery Division before Kekewich, J., and judgment was delivered in favor of the plaintiff, based entirely upon the case of *France v. Clark*, which dealt with the precise point involved herein. The defence in the present case had relied upon *The Colonial Bank v. Cady* as overruling *France v. Clark*, but the Court held against this. In the course of his remarks dealing with the argument on this point, the learned Judge said:

I always hesitate to say anything which may seem to be criticism of a decision in the House of Lords. I follow the argument of Mr. Warrington (counsel for the defence), and it is impossible not to admit the force of what he says; but *France v. Clark* was cited by the appellants in the House of Lords. It was not referred to by the respondents, and it was not referred to by either of the Law Lords on whose speeches reliance is placed. It is not according to usage to overrule a case without fully referring to it and giving reasons for the difference of opinion. Here there is no express overruling of it, and it is possible—I do not say it is right—it is possible to read all the judgments or opinions in the House of Lords with reference to the matter in hand, without seeing in them any intention to overrule *France v. Clark*. Whether that is the right view or not I must leave to others.

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As the principles of law involved are not re-stated in the present judgment, reference must be had for them to *France v. Clark*, cited, which was decided in the Court of Appeal in 1884. The judgment of the Court in that case, delivered by Lord Selborne, L. C., and covering a statement of the main facts, is therefore given following:

EARL OF SELBORNE, L.C.:—The plaintiff in this case



having occasion to borrow £150 from a person named Clark in February, 1881, and being entitled to ten fully paid-up shares of £20 each (not purporting to be transferable to bearer, but registered in his own name) in the Anglo-Egyptian Banking Company, deposited with Clark, as a security for repayment of that amount, the certificates of those shares, together with an instrument in the form of a deed of transfer, which he signed, leaving the date, the consideration, and the name of the transferee, all in blank. Very soon after he had received these documents, Clark, without the plaintiff's knowledge, handed them over in the same state in which he had received them to the present appellant, Mr. Quihampton, by way of security for an antecedent debt of £250 due to the appellant from himself. Having done this he (*i.e.* Clark) died in the following April, and after Clark's death the appellant, without any communication with the plaintiff, filled in his own name as transferee of the shares, and sent them in for registration to the company.

That Clark could and did transfer to the appellant the benefit of his own pledge or equitable mortgage by deposit so as to entitle the appellant to stand in his shoes as to the £150 due to him on that security, and the interest thereon, was not disputed by the plaintiff; and the order now under appeal has, to that extent, given the appellant the full benefit of Clark's security. But the appellant claims more than this. He insists that he took the documents of title from Clark as a purchaser for valuable consideration without notice of the plaintiff's rights; that, when he filled up the blanks in the instrument of transfer, that instrument became legally operative, so as to give him a legal title to have the shares registered in his name; and that, being so registered, he is entitled to hold them against the plaintiff, or to sell them, for the purpose of realizing the full amount due to himself from Clark. On these points he has failed in the Court below.

The principal ground, as we collect it, of Mr. Justice Fry's decision, was, that the appellant's legal right could not be to anything more than that which Clark, as between himself and the plaintiff, could lawfully transfer; that Clark's legal right to the documents which he handed over to the appellant was at the most that of a bailee by way of pledge; and that nothing had occurred to justify in law a sale or alienation of the pledge to the prejudice of the plaintiff's right. We do not dissent from these propositions; but we think the same conclusion (*viz.*, that Clark could only transfer to the appellant, by handing over these documents, such rights as he himself then had against the plaintiff) would be reached not less clearly, and perhaps more simply, if Clark were regarded in the light of an equitable mortgagee of the shares, which he certainly was.

The defence of purchaser for valuable consideration without notice, by any one who takes from another without inquiry an instrument signed in blank by a third party, and then himself fills up the blanks, appears to us to be altogether untenable. The observations of Bramwell, B., in *Hogarth v. Latham* and of Stuart, V.C., in *Haich v. Searles*—both cases of negotiable instruments, which this is not—and also of Turner, L.J., in *Taylor v. Great Indian Peninsula Railway Company* are opposed to any such notion, and so are plain and clear principles of justice and reason. The person who has signed a negotiable instrument in blank, or with blank spaces, is (on account of the negotiable character of that instrument) estopped by the law merchant from disputing any alteration made in the document, after it has left his hands, by filling up blanks (or otherwise in a way not *ex facie* fraudulent) as against a *bonâ fide* holder for value without notice; but it has been repeatedly explained that this estoppel is in favor only of such a *bonâ fide* holder; and a man who, after taking it in blank, has himself filled up the blanks in his own favor, without the consent or knowledge of the person to be bound, has never been treated in English Courts as entitled to the benefit of that doctrine. He must necessarily have had notice that the documents required to be other than they were when he received them, in order to pass any other or larger right or interest, as against the person whose name was subscribed to them, than the person from whom he received them might then actually and *bonâ fide* be entitled to transfer or to create; and if he makes no inquiry he must at the most take that right (whatever it may happen to be) and nothing more. He cannot, by his own subsequent act, alter the legal character, or enlarge in his own favor the legal or equitable operation, of the instrument. This, in our opinion, renders it unnecessary to consider whether, before the registration was completed, the company and the appellant had notice of the plaintiff's claim; for registration in the name of a transferee only gives complete effect to a prior valid transfer; registration does not make effectual a document which was, as between the alleged transferor and transferee, inoperative and of no effect.

It was said that when a man, in a transaction for value, does what this plaintiff did, and delivers a blank form of transfer to a creditor by way of security, together with the certificates of shares, his meaning must necessarily be that the creditor may complete his security by obtaining registration of the shares, either in his own or (possibly) in some other name; and that he, therefore, entrusts him with the requisite authority for that purpose. Granting this, what follows? Only that the creditor to whom such an authority is given may execute it or not, for the purpose of giving effect to the contract in his own favor, as he pleases; but not that, if he does not execute it, he can delegate

the like authority to a stranger for purposes foreign to and possibly (as in this case) in fraud of that contract.

The blank form of transfer in the present case conferred no legal title when the appellant took it from Clark, because, on the face of the instrument, there was no transferee, and this the appellant knew. The appellant certainly had no authority from the plaintiff to insert his own name as transferee, and we think that Clark could give him no such authority, especially for a purpose which, as between the plaintiff and Clark, would have been fraudulent. The filling up of the blank by the appellant with his own name was, in our opinion, so far as any legal effect is concerned, a mere nullity, . . . whether the instrument ought to be regarded as an imperfect deed, or in any other light. In point of fact the instrument purports to be under seal.

But it was pressed on us that the plaintiff had, by the blank transfer and certificate, enabled Clark to represent himself as the true owner of the shares, or as having power to deal with the shares as owner. The documents themselves showed that Clark was not the owner. Nor was there any evidence of any mercantile usage to the effect that holders of such documents as Clark handed over to Quihampton are treated as having the right to transfer shares referred to in the documents, as if such holders were the owners of such shares. In other words, there is no evidence that, as a matter of fact, blank transfers, accompanied by certificates of shares registered in the names of transferors, pass from hand to hand like negotiable instruments. The absence of any such evidence of mercantile usage not only distinguishes this case from *Goodwin v. Robarts* but renders the reasoning on which that case was decided wholly inapplicable to the case now before us, and makes it unnecessary for us to consider whether such a usage, if proved, would be sufficient to make a document of this particular nature negotiable in law. Nor is the absence of any such evidence a mere oversight; for it is worthy of notice that the defendant in his statement of defence pleaded a mercantile usage to the effect above mentioned, and then struck it out. It would, under these circumstances, be unreasonable for him to expect the Court to decide this case upon the assumption that there is such a usage. The inference is rather that no such usage can be shown to exist. It was contended that the cases of *ex parte Sargent*, before the late Master of the Rolls and *Roffe v. Roscoe*, before the Court of Appeal (but not reported), show that the holders of such documents can transfer them so as to confer a good title to *bonâ fide* holders for value, without any other notice of the nature of the transferor's title than the documents themselves give. There are, no doubt, some expressions in the judgments in those cases which may seem capable of being

interpreted in this sense. But the facts of those cases must not be lost sight of in studying the judgments pronounced in them.

We think that this appeal must be dismissed with costs.

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COURT OF APPEAL, ONTARIO

Smith vs. Walkerville Malleable Iron Co., Ltd.

When shares in a joint-stock company are transferred to a party by a transfer which is not registered in the books of the company, accompanied by delivery of the certificate for the shares, he has no claim upon the company should they, before he presents the transfer for registration, permit a transfer of the shares on their books by the registered owner to another without the surrender of the certificate, and the company is within its rights in permitting such a transfer, notwithstanding the statement in the certificate that the shares will only be transferred on its surrender.

The main facts in this case are as follows :

On the 4th January, 1893, one H. F. White was the registered owner of 466 shares of the stock of the Walkerville Malleable Iron Co., of which company he was the Secretary. Between that date and the 14th of the same month he disposed of 404 shares to different parties. The transfers of these shares were made upon the company's books without the surrender of one of the relative certificates, No. 27 for 20 shares, which remained in White's possession. On 28th January he procured the issue of two certificates for the 62 shares then remaining in his name, No. 46 for 40 shares and No. 47 for 22 shares. All the certificates were in the following form :

" This is to certify that \_\_\_\_\_ is entitled to \_\_\_\_\_ shares of \$25 each of the capital stock of the Walkerville Malleable Iron Co., Limited, transferable only on the books of the company in person or by attorney on the surrender of this certificate,"

with a blank form of transfer on the back, of shares not specified as being the shares mentioned in the certificate, which included a form of power of attorney to transfer the shares in the company's books.

On 16th February he transferred 40 shares to one Ellis by endorsement on certificate No. 46; on 4th March following he transferred 20 shares to one Hunter by endorsement on the annulled certificate No. 27; and on 3rd April the 22 shares represented by certificate No. 47 were, also by endorsement of the certificate only, transferred to the plaintiff. On 22nd June, 1893, 20 shares were transferred on the company's books by

White to Hunter and duly accepted by the latter, without reference to or production of certificate No. 27; on 26th Dec., 1893, White executed a transfer on the company's books to one Lett, of 2 shares without reference to any certificate, the shares being duly accepted by Lett; and on 3rd January, 1894, Ellis' title to the 40 shares was completed by transfer and acceptance on the books, which exhausted White's holding of stock. Hunter transferred the 20 shares registered in his name to the president of the company in September, 1893, leaving with him the certificate No. 27.

About February, 1894, the plaintiff applied to the company to have the transfer of 22 shares assigned to him with certificate No. 47 completed, and the application was refused on the ground of course that all the shares which White had owned had already been transferred. He thereupon brought action against the company to compel them to complete his title by making the necessary entry in their book, or, should they be unable to do that, to pay as damages the value of the shares, on the ground that by virtue of the assignment endorsed on certificate No. 47, he had acquired a right to have 22 shares transferred to him.

The case was tried at the non-jury sittings of the High Court at Sarnia, in April 1895, before MacMahon, J., and judgment given in favor of the plaintiff. From this the present appeal was taken before the Court of Appeal, and has now been allowed (Hagarty, C.J.O., dissenting).

OSLER, J. A. :—In the consideration of the case I think we must leave out of view as immaterial the fact that the sale or agreement to Hunter was endorsed upon the old certificate No. 27. It was as between White and Hunter a valid agreement, conferring upon the latter the right, if White then owned the shares, to have them transferred into his name on the company's books.

The 5th section of the Joint-Stock Companies Letters Patent Act enacts that no transfer of stock, unless made by sale under execution, or under the order or judgment of some competent Court, shall be valid for any purpose whatever, save only as exhibiting the rights of the parties thereto towards each other, and as rendering the transferee liable *ad interim* jointly and severally with the transferor to the company, until entry thereof has been duly made on the books of the company. I do not understand that by this it was intended to provide that no action could be maintained against the company to compel

them to make a transfer on their books to a person who had acquired an inchoate title to the shares by assignment from the legal owner, and thus to complete his title to the shares so assigned, and the question therefore, is whether, the plaintiff, when he presented his certificate No. 47 and required the shares to be transferred to him, had a present absolute right to have that done. The answer to this depends, in my opinion, upon whether White had at that time a sufficient number of or any shares remaining at his credit on the company's books, which could be transferred to him under the power of attorney which he had given to the plaintiff. Share certificates are not negotiable instruments, nor do they purport to be so, passing the title to the shares by their mere delivery. The certificate issued by the company stated that White was entitled to 22 shares, transferable only on the books of the company (as the statute provides) and adding, 'in person, or by attorney, on the surrender of the certificate.' The latter provision is not required, either by statute or by the by-laws of the company (which we called for) and it has been held in more than one case that the stipulation is one which the company may waive, if satisfied, or otherwise, of the right of the transferee to be registered. In other words, the title of the transferee, or rather his right to have his transfer registered or entered, and thus to have his legal title, does not depend in the case of shares of the character of those we are now dealing with, upon his possession of the share certificate. On the face of the plaintiff's certificate there is no other representation than that White was then the holder of the number of shares mentioned therein. There is no warranty that his title would continue, or representation that the holder for the time being would, by merely having it in his possession, become entitled to the shares. The certificate purports to show the legal and not the equitable title, and if persons are content to deal on the faith of the certificate with the registered holder, without inquiring into the beneficial ownership, and without obtaining a legal title by transfer, they may find themselves ousted by an earlier equitable title. Everything stated in the certificate was true when it was issued, so that, as said by the Court of Appeal in *Re Ottos Kopje Diamond Mines* the plaintiff's cause of action must be looked for outside the certificate, and upon the assumption that the company cannot dispute the facts stated therein. In what respect then has the company failed in its duty to the plaintiff, if the whole of White's stock had been transferred in their books at the time when the plaintiff produced his power of attorney, and required it to be acted upon? If the transfer to Hunter—earlier than the plaintiff's transfer—could be shown to be invalid, the plaintiff would have made one step in the direction of proving his case, but if Hunter's right did not depend upon the possession or surrender of the certifi-

cate, afterwards transferred to the plaintiff, or of any certificate (and the shares themselves not being numbered, the assignment of them was not connected with any certificate otherwise than by being endorsed thereon), I cannot see how his title can be successfully impeached. Twenty shares, generally, were assigned to him, and were duly transferred without fraud on his part, into his name on the books of the company. When the plaintiff took his assignment and power of attorney on the 3rd April, 1893, the whole of White's shares were still at his credit on the company's books, and the shares assigned to him might, had he so desired, have been duly transferred to him, and his title thereto perfected under the 52nd section of the Act. By his own laches he enabled the holders of the other assignment to register before him, so that when he came forward the whole of White's holding had been exhausted, the legal title having passed into the hands of other *bonâ fide* purchasers.

If no title as between the parties can be made so as to entitle a transferee to register except upon production of a certificate, then plaintiff ought to recover, because if that were the case the transfer to Hunter should not have been made on the books, but if that, as I think, be not the case, he would fail because Hunter's transfer was lawfully entered in the register, and the plaintiff did not acquire this certificate and agreement until after Hunter's right to have it so entered was acquired.

MACLENNAN, J.A. :—" *In re Bahia & San Francisco Railway Co., and Tomkinson v. Balks Consol. Co.*, it was decided that the very purpose for which such certificates as the one in question here are given, is to enable the person to whom it is given to sell his shares, and it has accordingly been uniformly held that a company is estopped from saying that a certificate so granted is not true. No question of that kind arises upon this certificate, because at the time it was issued it was in fact true. White was on the date of the certificate, the 28th of January, 1893, in fact entitled to twenty-two shares of the company's stock as were mentioned therein, and he continued to be so entitled afterwards, and until the 3rd of January, 1894, when he transferred forty shares, which was all he had left, to one Ellis. The certificate contains these words: 'Transferable only on the books of the company in person or by attorney on the surrender of this certificate. The plaintiff's contention is that no transfer of these shares could be validly made without surrender of the certificate, and that the transfer to Ellis was invalid to the extent of 22 shares, because White had not the certificate to produce, and did not produce it, for surrender, when that transfer was made, and the question is what is the meaning and legal effect of the stipulation in the certificate above quoted. Section 41 of the Act, R.S.O., c. 157, under

which the defendant's company is incorporated, enacts that the stock of the company shall be transferable in such manner only and subject to all such conditions and restrictions as by the Act or the by-laws of the company may be prescribed, and section 50 required a book or books to be kept to record the names and addresses of all past and present shareholders, with the number of shares held by each, and also all transfers of stock in their order as presented for entry, with dates and other particulars. By section 53 these books are to be open for the inspection of shareholders and creditors. By section 52, until entry in the books, no transfer, with certain exceptions not here material, are to be valid for any purpose whatever, save only as exhibiting the rights of the parties thereto towards each other, and rendering them liable to creditors.

I think it clearly follows from these enactments, and from the terms of the stipulation in the certificate, that when on the 3rd of April, 1893, White executed the assignment of twenty-two shares to the plaintiff, on the back of his certificate, the plaintiff did not thereby become a shareholder; he merely acquired a right to go to the company's office, and to have a proper transfer made on the company's books, but the certificate itself distinctly notified him that no valid assignment could be made elsewhere than in the company's books.

It is not alleged that the company had any notice of the plaintiff's claim, and no enquiry appears to have been made for the certificate. Was the company bound to refuse, or could they lawfully refuse, to transfer without the production of it? It is not necessary to decide that they could lawfully refuse, but I think it is clear they were not bound to refuse. The shares were standing in White's name. There had been no transfer made on the books; there could be no valid transfer made elsewhere; a transfer on the back of the certificate could be no better than if made by a separate document; the certificate itself could be of no value to any one else. It was not negotiable, and I confess I see no obligation, nor any good reason why the company should think it necessary to insist on its production. I think *Williams v. The Colonial Bank* is a decision in favour of the defendants, and the other cases cited do not help the plaintiff, for they were cases of estoppel, and only went to hold companies bound by their certificates, even when they were not true. Here the certificate was true, and the plaintiff might have had his shares if he had applied in due time, and might have had a transfer made on the company's books. The company have done him no wrong, and his only redress must be sought against White, who has defrauded him.

I think the appeal should be allowed, and the action should be dismissed with costs.

Burton, J.A., also delivered judgment, concurring.



## HIGH COURT OF JUSTICE, ONTARIO

## Halsted vs. Bank of Hamilton

Securities under Section 74 of the Bank Act. What constitutes "negotiation"

This was an action tried before Meredith, C.J., without a jury, at the London Winter Assizes, on 18th January, 1896. The question involved was as to the validity of certain assignments of goods given to the defendants, in Schedule C to the Bank Act, as security for advances made by them to one Zoellner, whose assignee for the benefit of creditors the plaintiff is. The following is a general statement of the facts of the case :

Zoellner was a customer of the Mount Forest branch of the bank. On 5th December, 1894, the bank held an assignment of his goods purporting to secure \$4,000, in which amount he was indebted to them for direct loans. This assignment, however, was invalid, having been given in substitution of similar security, upon the renewal of the note to secure which the prior assignment was held : *Shepard v. Bank of Hamilton*. On the above date they effected a new arrangement with Zoellner for the conduct of his account, with a view to remedying the defects in their security.

On 7th December they discounted for Zoellner his note for \$4,000 for what purported to be a new advance—a fresh assignment being taken to secure the same—and placed the proceeds to the credit of his general account, leaving the old note still running.

By the arrangement of 5th December, however, he was not free to withdraw these proceeds, except on certain conditions. The agreement was that a special or No. 2 account was to be opened, to which should be credited the proceeds of bills and notes of Zoellner's customers discounted or collected by the bank from time to time, and to which Zoellner's own notes discounted were to be charged at maturity ; it being further stipulated that the balance in No. 1 account should not be drawn upon by Zoellner, except to such an extent as, by the discount of his customers' paper or otherwise, credits should be made in No. 2 account towards meeting the old notes at maturity. Thus while the bank were apparently making advances very largely

in excess of \$4,000, they did not permit Zoellner's net liability to exceed that sum.

After 7th December, at intervals of about two months, *i.e.* on the 4th February, 1st April, 29th May and 23rd July, while one or more of his notes were still current, the bank discounted a new note (the amount being \$4,000 in each case, except the last which was \$3,670, a payment of \$330 having been made by Zoellner), taking with each note a new assignment, and crediting the proceeds to No. 1 account.

The result of this procedure was that after the entries were made in connection with the note of 23rd July, the bank had running three notes of Zoellner's, dated 1st April, 29th May, and 23rd July, for \$4,000, \$4,000 and \$3,670 respectively, while there were credit balances in Zoellner's name of \$3,670 in account No. 1, and \$4,150 in account No. 2, or \$3,850 less than the amount of the three notes.

Zoellner shortly afterwards made an assignment for the benefit of his creditors, and the assignee brought this action to have the bank's claim upon the goods under the assignments given with the above three notes, set aside. Judgment was given in favor of the plaintiff.

The learned Chief Justice, after fully stating the facts, points out that

No money was paid by the defendants to Zoellner at the time the assignments were made, but the respective sums for which promissory notes were taken from him payable on demand were placed to his credit in account No. 1, on the respective days on which the assignments were made . . . but though the amounts of these alleged advances were so credited, and there were large sums . . . standing at his credit . . . which so far as the defendants' books showed, he was entitled to draw, Zoellner was not in a position to draw any part of these moneys . . . because of the arrangement which he had made with the defendants. . . .

The judgment then proceeds:

It is true, as pointed out by Mr. Scott, that an amount almost equal to the so-called advance of the 1st April, 1895, was checked out by Zoellner from his account No. 1, between that date and the 1st of May following, and that an amount almost equal to the so-called advance of the 29th May, 1895, was checked out of the same account between that date and the

22nd June following ; but it will be observed that in each case the balances at the credit of Zoellner in account No. 2 were during the same periods increased by corresponding amounts, so that there was no substantial alteration of the state of his account between the dates referred to.

Is it possible that the assignments can, under the circumstances I have mentioned, be supported as against the creditors of Zoellner under the provisions of the sections of the Bank Act upon which the defendants rely (sections 74 and 75), and which alone can give them validity as against creditors ?

Section 74 authorizes the bank to "lend money to any person engaged in business as a wholesale manufacturer of any goods, wares and merchandise, upon the security of the goods, wares and merchandise manufactured by him or procured for such manufacture." And section 75, so far as it applies to the circumstances of this case, prohibits the bank acquiring or holding any security under section 74 "to secure the payment of any bill, note or debt unless such bill, note or debt is negotiated or contracted at the time of the acquisition thereof by the bank."

Though in form it was otherwise, there was no debt contracted by Zoellner at the time the assignments were respectively acquired by the defendants, nor was there, in my opinion, any negotiating by him of a bill or note such as section 75 contemplates.

How, under the circumstances I have mentioned, can the transactions of the 1st of April, 29th March and 23rd July be treated as anything but mere book-keeping entries, having no real foundation to support them, and is it possible to come to any other conclusion than that they were merely clothed with the form which would apparently give them validity, while in substance and in fact they were intended to accomplish that which the Bank Act forbade being done ?

It is, I think, impossible to treat any of the notes which the assignments purported to secure as having been "negotiated" in the sense in which that term is used in section 75, at the time the assignments were made ; it is true that the form was gone through of taking the notes and passing the amount of them to the credit of one of the accounts, but contemporaneously with this an equal amount was placed to the debit of another of the accounts, and not a farthing of the amounts which the notes represented could be touched by Zoellner or made available by him for any purpose, unless he brought to the defendants and left for collection or discounted customers' paper, which would entitle him to credit in account No. 2 for an amount equal to that which he proposed to withdraw.

The decision *In re Carlew* is, I think, not applicable to

this case. In that case a banker was held to be the holder for value of certain bills of exchange received from a customer, although the amount of the bills was simply carried to the credit of his overdrawn account, no money being actually paid, and the result of the decision, probably, was to determine that the bills had been negotiated at the time the banker received them, but not, as I have endeavored to point out, negotiated in the sense in which section 75 of the Bank Act uses the term "negotiated."

The policy of the Act, as I understand it, is to permit a bank to take security by means of such assignments as those in question in this case, for an obligation incurred to it at the time the security is given and for that only. That is, I think apparent from the language of section 74, which is the enabling section, and authorizes the security to be taken where money is lent by the bank, and the language of section 75 must be read in the light of that provision. It is therefore the payment of a bill or note which the bank obtains in, or a debt which is incurred to it arising out of, a transaction in the nature of a loan by the bank to its customer, which may be secured in the exceptional manner in which the Act permits security to be given.

Having come to the conclusion that no loan or real advance was made by the defendants to Zoellner at the time of the assignments in question, or either of them were made, and that no real debts were then incurred by Zoellner, it follows in my view of the law that the assignments are invalid as against the creditors of Zoellner so far as they sought to be supported under the provisions of the Bank Act.

It was urged by Mr. Scott that even if invalid under the Bank Act the assignments were good as against Zoellner, and being good against him were also valid as against the plaintiff; but it is impossible to give effect to that contention. The provisions of the Bank Act not being available to support the assignments, they must stand or fall according to the general law of Ontario applicable to such instruments, and not being registered they are under section 38 of the Bills of Sale and Chattel Mortgage Act (1894) void as against the plaintiff who is the assignee for the general benefit of creditors within the meaning of the Act respecting assignments and preferences by insolvent persons.

There must be judgment declaring the assignments and each of them to be void as against the plaintiff, and the defendants must pay the costs of the action.

# UNREVISED FOREIGN TRADE RETURNS, CANADA

(ooo omitted)

## IMPORTS

<i>Six months ending December—</i>	1894-5		1895-6	
Free .....	\$22,960		\$21,136	
Dutiable.....	28,046		32,535	
	<u>\$51,006</u>		<u>\$53,671</u>	
Bullion and Coin.....	3,564	\$54,570	3,426	\$57,096
<i>Month of January—</i>				
Free .....	\$ 2,145		\$ 2,690	
Dutiable.....	4,531		6,563	
	<u>\$ 6,677</u>		<u>\$ 9,253</u>	
Bullion and Coin.....	328	\$ 7,005	492	\$ 9,746
		<u>\$61,575</u>		<u>\$66,842</u>

## EXPORTS

<i>Six months ending December—</i>				
Products of the mine .....	\$ 3,132		\$ 3,763	
" Fisheries.....	7,462		7,009	
" Forest .....	15,870		16,965	
Animals and their produce.....	24,606		26,442	
Agricultural products .....	12,196		8,827	
Manufactures .....	3,920		4,762	
Miscellaneous .....	80		115	
	<u>\$67,268</u>		<u>\$67,885</u>	
Bullion and Coin.....	1,275	\$68,543	344	\$68,229
<i>Month of January—</i>				
Products of the mine .....	\$ 668		\$ 590	
" Fisheries .....	513		850	
" Forest .....	552		727	
Animals and their produce.....	1,318		1,571	
Agricultural products.....	773		766	
Manufactures .....	420		697	
Miscellaneous .....	8		7	
	<u>\$4,253</u>		<u>\$5,210</u>	
Bullion and Coin.....	328	\$4,581	2,664	\$7,874
		<u>\$73,124</u>		<u>\$76,103</u>

## SUMMARY (ACTUAL FIGURES)

Total imports for seven months, other than bullion and coin .....	\$57,684,349	\$62,925,935
Total exports for seven months other than bullion and coin .....	71,522,195	73,096,015
Excess of exports .....	\$13,837,846	\$10,170,080
Net imports bullion and coin .....	2,289,777	910,193

STATEMENT OF BANKS acting under Dominion Government charter for the months of December,  
1895, and January and February, 1896, and comparison with December, 1894 :

LIABILITIES

	31st Dec., 1895	31st Jan., 1896	29th Feb., 1896	31st Dec., 1894
Capital authorized .....	\$ 73,458,685	\$ 73,458,685	\$ 73,458,685	\$ 73,458,685
Capital paid up .....	62,196,391	62,196,496	62,196,496	62,196,552
Reserve Fund .....	27,665,799	27,715,799	26,458,799	27,470,026
Notes in circulation .....	\$ 32,565,179	\$ 29,429,065	\$ 29,819,536	\$ 32,375,620
Dominion and Provincial Government deposits .....	7,194,284	6,747,750	6,417,385	7,684,148
Public deposits on demand .....	67,452,397	62,493,728	60,419,199	68,917,542
Public deposits after notice .....	119,667,176	121,252,378	121,446,870	113,163,127
Bank loans or deposits from other banks secured .....	12,403	9,663	9,050	6,272
Bank loans or deposits from other banks unsecured .....	2,959,499	2,732,915	2,539,592	2,534,463
Due other banks in Canada in daily exchanges .....	139,538	137,958	90,997	158,360
Due other banks in foreign countries .....	219,541	171,654	177,187	166,115
Due other banks in Great Britain .....	4,326,912	4,645,748	4,265,396	3,531,682
Other liabilities .....	701,196	693,195	672,942	308,128
Total liabilities .....	\$ 235,238,020	\$ 228,314,138	\$ 225,858,247	\$ 228,905,558

## BANK STATEMENT WITH COMPARISON

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## ASSETS

Specie.....	\$ 8,239,178	\$ 8,193,570	\$ 7,904,370	\$ 8,018,151
Dominion notes.....	15,953,001	13,632,842	12,752,147	15,209,730
Deposits to secure note circulation.....	1,814,624	1,814,624	1,814,624	1,810,736
Notes and cheques of other banks .....	9,115,065	6,402,345	5,883,170	8,614,221
Loans to other banks secured.....	7,403	4,663	4,050	6,272
Deposits made with other banks .....	3,650,210	3,548,408	3,312,812	3,065,345
Due from other banks in Canada in daily exchanges.....	153 144	191,597	149,695	107,672
Due from other banks in foreign countries.....	17,897,593	19,533,123	18,662,882	25,299,986
Due from other banks in Great Britain .....	8,175,874	4,299,260	4,710,922	3,097,628
Dominion Government debentures or stock .....	2,830,276	2,990,803	2,991,549	3,124,594
Public municipal and railway securities .....	20,636,961	20,820,800	20,218,743	18,352,643
Call loans on bonds and stocks .....	17,089,307	15,909,298	14,083,570	17,791,638
Current loans and discounts.....	202,088,259	204,479,884	207,484,616	195,836,141
Loans to Dominion and Provincial Governments.....	748,312	193,648	382,073	1,424,196
Overdue debts .....	4,412,237	4,284,475	4,073,863	3,425,752
Real estate.....	1,332,394	1,300,177	1,447,906	919,938
Mortgages on real estate sold .....	550,343	565,891	567,634	575,679
Bank premises .....	5,651,487	5,658,999	5,661,382	5,480,573
Other assets .....	1,828,737	1,851,704	2,167,666	1,750,599
Total assets .....	\$322,184,801	\$315,676,305	\$314,273,808	\$313,911,995
Average amount of specie held during the month .....	\$ 7,710,988	\$ 8,408,199	\$ 8,028,175	\$ 7,723,589
Average Dominion notes held during the month .....	15,742,240	14,244,926	12,920,153	14,765,140
Loans to directors or their firms .....	8,274,874	7,983,597	7,888,462	8,034,039
Greatest amount of notes in circulation during month .....	35,014,003	32,307,557	30,474,786	34,459,532

**MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Hamilton  
and Winnipeg**

(ooo omitted)

	MONTREAL		*TORONTO		HALIFAX		HAMILTON		WINNIPEG	
	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6
March ...	\$ 45,715	\$ 42,464	\$ 22,894	\$ 22,332	\$ 4,745	\$ 4,174	\$ 2,739	\$ 2,462	\$ 3,510	\$ 3,939
April ....	40,942	41,906	21,473	21,961	4,468	4,414	3,078	2,611	2,959	3,093
May ....	45,586	51,959	24,174	25,698	4,871	4,964	2,978	2,704	3,455	4,156
June .....	44,704	52,353	21,965	26,772	4,471	5,090	2,753	2,913	3,329	3,865
July .....	45,223	51,962	23,763	26,838	5,492	5,739	2,682	2,972	3,570	4,038
August ..	44,383	49,314	21,779	23,235	5,407	6,264	2,546	2,726	3,695	3,937
September	46,855	45,251	20,078	22,543	5,062	4,604	2,686	2,706	3,975	4,008
October ..	55,730	53,298	25,750	28,437	5,452	5,613	3,155	3,402	6,786	7,911
November	51,838	54,397	25,214	28,633	5,021	5,444	3,092	3,363	6,607	8,503
December	47,351	54,138	25,700	33,728	4,874	5,462	2,834	3,224	5,199	6,641
January ..	48,376	46,663	27,961	33,095	4,997	5,705	2,831	3,227	4,067	4,977
February	37,793	38,133	20,493	28,544	4,118	4,709	2,461	2,686	2,721	4,052
	554,496	581,778	281,208	321,816	58,978	62,272	33,835	35,006	49,873	58,110

\*NOTE.—These totals prior to November, 1895, do not include the Bank of Toronto.



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## CANADIAN BANKERS' ASSOCIATION

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*JULY—1896*

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### THE POWERS OF DIRECTORS

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It would be impossible, within the limits practicable for this article, to make anything like an exhaustive examination of the law upon the subject. What is proposed is, therefore, hardly more than a synopsis or tabulation of certain legal principles which have been judicially applied from time to time to cases involving the powers of directors, and a brief examination and classification of certain statutes, to which reference should be had when considering the existence and extent of such powers in particular cases.

It is, perhaps, hardly necessary to disclaim originality in an article of this kind. The whole ground has been so satisfactorily covered by text writers, notably that distinguished English Judge, Lord Justice Lindley, in his Treatise on the Law of Companies, that originality can hardly be claimed even in the method of arrangement.

The powers and functions of the directors of a company in the conduct of its business are referable to, and are, indeed, an important branch of the law of agency. They are sometimes

spoken of as trusts, delegated by the company to the directors, and exercisable by them in the interest and for the benefit of the company. But it has been doubted whether the word *trustee* accurately describes the relation of a director to his company. Certainly, some of the features of "complete" trusteeship<sup>1</sup> are wanting in the director's position, and, as certainly, he is held, in the exercise of his powers as director or agent, to as strict accountability as a trustee would be, at least to the extent that those powers must not be employed to obtain any private benefit or advantage to himself. Perhaps the true view is that in enforcing and working out his obligations as agent of the company, the law applies by analogy the principles applicable to cases of trusteeship, in aid of the enforcement of that good faith on his part which lies at the foundation of his duty as agent.

Lord Justice Bowen says<sup>2</sup>: "When persons who are directors of a company are from time to time spoken of by judges as agents, trustees or managing partners of the company, it is essential to recollect that such expressions are used, not as exhaustive of the powers or responsibilities of those persons, but only as indicating useful points of view from which they may, for the moment and for the particular purpose, be considered; points of view at which they seem for the moment to be either cutting the circle or falling within the category of the suggested kind. It is not meant that they belong to the category, but that it is useful, for the purpose of the moment, to observe that they fall *pro tanto* within the principles which govern that particular class. . . . These directors are not exactly agents, nor exactly servants—perhaps not servants at all—nor exactly trustees, nor exactly managing partners, if by that is meant that they are nothing more and nothing less. They are persons invested with strictly defined powers of management under the articles of association of a statutory corporation."

The directors being the agents of the company, are entrusted by law with the conduct of the company's business; and while acting

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<sup>1</sup>Lord Westbury, in discussing a similar question, uses the expression "complete trustee." *Knox v. Gye*, L.R. 5 H.L., 656.

<sup>2</sup>*Imperial, etc., Hotel Co. v. Hampson*, L.R., 23 C.D. 1, at p. 12.

(a) in their representative capacity, and  
(b) within their authority as such agents,  
their acts and contracts are the acts and contracts of the company.

The statutes of both Canada and Ontario recognize and apply this law by express enactment to companies subject to the legislative jurisdiction of the Dominion and the Province respectively. The Dominion Companies Act (R.S.C., cap. 119, sec. 35) provides that "the directors of the company may administer the affairs of the company in all things, and make or cause to be made for the company any description of contract which the company may by law enter into." The Dominion Companies Clauses Act (R.S.C., cap. 118, sec. 13) makes a precisely similar provision, in words almost identical. The corresponding Provincial Acts, The Joint Stock Companies Letters Patent Act (R.S.O., cap. 157, sec. 36) and The Joint Stock Companies General Clauses Act (R.S.O., cap. 156, sec. 14), enact provisions which, though couched in slightly different words, are to the same effect.

(a) The directors in order to bind the company must be acting in their representative capacity as agents.

Only a word or two need be said in explanation of this requisite. Each director is not, in and by himself, an agent to bind the company. If the affairs of the company are entrusted to a board composed of five directors, they are entrusted to a body composed of five agents, and not severally to each one of five independent agents. In other words, it is the *body* that must act in order to efficiently represent the company. Of course "the majority of a duly convened and duly constituted board of directors can act for the whole board, and bind the company."<sup>1</sup>

(b) The directors, in order to bind the company, must be acting within their delegated authority as agents.

It is plain that the important inquiry to be made when considering the validity and binding effect of any given act or contract, done, made or proposed on behalf of a company, by the directors, the company's agents, is whether the act or con-

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<sup>1</sup> *Lindley on Companies*, 5th Ed., 156.

tract in question is within the scope of the agent's authority. If it is, the company is bound and responsible. If it is not, the company is not bound nor responsible.

It is, further, clear that the directors can have no authority to bind the company by acts which are beyond the powers of the company itself. The inquiry, therefore, must, in the first place, be whether the transaction in question is one which the company itself has power to engage in. If the company has not such power, its agents cannot be invested with such power by it, nor can the most solemn engagement of its agents give the transaction validity. The powers of the company itself being of limited nature and extent, those limitations, manifestly, cannot be exceeded by the company's agents, nor can the company delegate to its agents powers which it does not possess.

In arriving at an answer to this first question in any given case, care must be taken to examine what may be called the constitution of the particular company. This will be found in its Act of incorporation if incorporated by special Act, its charter or letters patent of incorporation if incorporated under one of the general Acts, and in the provisions of the general Act applicable to the particular company.

A brief summary and classification of the legislation of the Parliament of Canada and of the Legislature of Ontario affecting the creation and powers of companies, may be found useful in this inquiry.

The Dominion legislation upon the subject may be conveniently, though not quite exhaustively, classified as follows :

- (1) Banking legislation ;
- (2) Railway legislation ;
- (3) Insurance legislation ;
- (4) General company legislation.

In the first three classes the method or scheme of legislation adopted by Parliament has been to pass general Acts relating to banking, railways and insurance, and in these Acts to define and limit the powers of banks, and of railways and insurance companies subject to the legislative jurisdiction of Parliament. At the present time these Acts are, An Act Respecting Banks and Banking, 53 Vic., cap 31 ; An Act Respecting Railways,

51 Vic., cap. 29, and An Act Respecting Insurance, R.S.C., cap. 124. These Acts do not create banking, railway and insurance corporations, but are made applicable to them when created. The corporations subject to the provisions of these Acts have been or may be, from time to time, brought into existence by special private Acts of Parliament. In any particular case the special Act of the particular company, as well as the general Act applicable to all companies of its class, must be examined to ascertain the scope and limitations of the particular company's powers. In the general Act dealing with companies of the class will be found defined the powers possessed generally by companies of the class, while in the special Act will be found any special and exclusive powers of the particular company.

Companies within the legislative jurisdiction of the Dominion, and not falling within any of these three classes, are next to be considered, under the 4th head, general company legislation. Such companies may derive their corporate existence either from incorporation by special private Act of Parliament, or from the grant of letters patent of incorporation by the Governor-General-in-Council under the provisions of the Companies Act, R.S.C., cap. 119. If they are incorporated by special Act, they are, of course, possessed of the special powers and subject to the special limitations conferred and imposed by their respective special Acts. They are also made subject to the provisions and limitations of another general Act, the Companies Clauses Act, R.S.C., cap. 118. When a question arises as to the powers of such a company, reference must, therefore, be made to its special Act and also to R.S.C., cap. 118. On the other hand, if the particular company derives its existence from a grant of letters patent by the Governor under R.S.C., cap. 119, a similar question must be determined by an examination of the letters patent so granted, which define the company's particular and special powers, and of R.S.C., cap. 119, which defines its general powers.

The Ontario legislation is somewhat more complex. It makes, in the first place, provision by a general Act, R.S.O., cap. 156, for the cases of all companies incorporated by special

Acts for certain defined purposes. Those purposes are set out in the 4th section of the Act, and are as follows:

1. The carrying on of any kind of manufacturing, ship-building, mining, mechanical or chemical business.
2. The erection and maintenance of buildings to be used as mechanics' institutes, public reading or lecture rooms, or for exhibition, educational, library, scientific or religious purposes, or as hotels or baths.
3. The opening and using of petroleum, salt or mineral springs.
4. The carrying on of fisheries within the Province or adjacent waters, and the building and equipping of vessels required therefor.
5. The carrying on of any general forwarding business, and the construction, owning, chartering or leasing ships, wharves, roads or other property required therefor.
6. The supplying of any place with gas or water or both.
7. The construction of telegraph lines.
8. The acquiring or constructing and maintaining of dams, slides, piers, booms or other works, necessary to facilitate the transmission of timber down rivers and streams within the Province, and the blasting of rocks, dredging and otherwise improving the navigation of such streams for such purpose.
9. The acquiring or constructing and maintaining of plank, macadam and gravel roads, or of any bridge, pier, wharf, dry dock or marine railway.

In the case, therefore, of any company incorporated by special Act for any of the foregoing purposes, we must examine the Act in question, the Joint Stock Companies General Clauses Act (R.S.O., cap. 156), to ascertain the general powers of such a company, and we must also look at the particular company's special Act, to ascertain what special and exclusive powers have been conferred upon it.

The Provincial legislation then proceeds to make general provision for the incorporation of companies without special Act, by the Lieutenant-Governor-in-Council. This is done by the Act R.S.O., cap. 157. Under this Act charters, or letters patent of incorporation, may be granted by the Governor-in-Council, creating a company for any purpose or object within

the legislative domain of the Province, except the construction and working of railways and the business of insurance. In the case of a company so brought into existence, we turn, therefore, to its charter so granted, and to the general Act, R.S.O., cap. 157, to ascertain its powers, special and general, respectively.

Railways and insurance companies being excluded from the operation of this general Act, are dealt with by other Acts, also general in their character. There are two general Acts dealing with railways, the Act Respecting Railways, R.S.O., cap. 170, and the Street Railway Act, R.S.O., cap. 171. All railway and street railway companies within the legislative jurisdiction of the Province will be found to owe their existence to special Acts of incorporation, which limit and define their special powers, and a reference to the general Act applicable—the Railway Act or the Street Railway Act, as the case may be—will enable us to determine what powers they possess in common with all companies of their respective classes.

Insurance companies subject to provincial jurisdiction may be incorporated either by special Act, or by the grant of letters patent by the Governor-in-Council, under the provisions of a General Insurance Act, R.S.O., cap. 167; and the provisions of the Companies Clauses Act, R.S.O., cap. 156, and of the Letters Patent Act, R.S.O., cap. 157, both of which have already been spoken of, are made applicable to insurance companies incorporated in either way, except in so far as those provisions are repugnant to the provisions of the Insurance Act itself, or, in the case of a company incorporated by special Act, to the provisions of such special Act.

In the case, therefore, of a Provincial insurance company, we must, in order to ascertain its powers, examine

- (a) its special Act, if it is so incorporated;
- (b) or its charter if incorporated by the Governor-in-Council under the Insurance Act;
- (c) the Insurance Act, R.S.O., cap. 167, and its amendments.
- (d) The two General Acts, R.S.O., cap. 156, and R.S.O., cap. 157.

(There are provisions as to mutual companies, friendly societies, etc., etc., which involve modifications in some respects

of the general Provincial scheme of insurance legislation, but which it is not practicable to deal with in detail within the limits of the present article.)

This is a general, but by no means exhaustive, synopsis of the Provincial legislation to be taken into account, in the consideration of corporate powers generally. There are special provisions with regard to many special classes of companies, for example, telegraph companies, road companies, timber slide companies, wharf, harbour and dry dock companies, mining companies, gas, water, steam and electric companies, co-operative associations, benevolent and provident societies, building societies and cemetery companies, which must be examined when dealing with cases governed by them, but which can only be mentioned here.

Having, then, ascertained by reference to the legislation applicable, that any particular transaction is beyond the powers, or, as is usually said, *ultra vires* of the company whose directors propose to engage in it, we at once conclude that the directors cannot bind their principal, the company, by, or pledge its property to responsibility for the proposed transaction. For example: a mining company, under resolution of its board, issues promissory notes payable to bearer, and circulates them as money. Such notes being *ultra vires* of the company, are not binding upon it, and no act of the directors can make them so. The directors of a railway company, whose Act of incorporation empowers it to construct a railway from Toronto to Hamilton, let a contract in the name of the company for the construction of a line from Toronto to Kingston. The company is not bound by or liable upon such a contract.

Where the directors of a company have power to do a particular thing only with the sanction of the shareholders, as, for example, to issue preference stock (R.S.O., cap. 157, sec. 25), to increase or decrease the number of directors (R.S.O., cap. 157, sec. 35), to issue bonds or debentures, or to mortgage the company's property (R.S.O., cap. 157, sec. 38), the doing of the thing without the required sanction is as ineffective to bind the company as if it had been entirely *ultra vires*. But there is this difference. The shareholders (at all events within cer-



tain limits) may in such a case ratify and confirm, and so render binding upon the company, what the directors have done.<sup>1</sup> On the other hand, if the Act is *ultra vires* of the company under any circumstances, of course no ratification or confirmation by the shareholders, even if they are unanimous, can cure its invalidity.

There has been a difference of opinion as to whether the existence of any particular corporate power is to be presumed in the absence of any expression to the contrary in the constitution of the company, as hereinbefore defined, or whether such power is to be presumed not to exist in the absence from such constitution of any words expressly or by necessary implication conferring it. With regard to trading and similar corporations, Lord Justice Lindley, whose opinion upon the subject is of the highest authority, thinks the latter the correct view, viz.: that all the powers of such corporations must be found in the express language of the legislative grant or documentary constitution, or deduced by necessary implication from such express language, and that, unless so expressly or impliedly conferred, the existence of the particular power must be denied. He thinks this the necessary result of the decision of the House of Lords in *Ashbury Ry. Co. v. Riche*.<sup>2</sup> But he points out with great clearness that when once you have ascertained what powers are conferred, expressly or by necessary implication, whatever may be fairly regarded as incidental to or consequent upon those powers should, in the absence of some express prohibition, be treated as falling within them.

We have seen that where the sanction of the shareholders is necessary to the valid exercise by directors of any corporate power, the absence of such sanction invalidates the exercise by the directors of that power. Similarly, if the constitution of the company, as above explained, permits the particular power to be exercised by the company only under and subject to certain restrictions, the exercise of the power otherwise, and without regard to such restrictions, is invalid, and does not bind the company. All persons who deal with the company are bound

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<sup>1</sup> See judgment of Boyd, C., in *McDougall v. Lindsay, Etc., Co.*, 10 F.R. 247, at p. 252.

<sup>2</sup> L.R., 7 H.L., 653.

at their peril to inquire whether the directors in such a case have properly given themselves authority to exercise the power by compliance with the restrictions regulating its exercise.

This rule, however, must not be understood as requiring persons who deal with the directors as the ostensible and apparent agents of the company, to ascertain, in all cases, that the directors are acting in accordance with rules prescribed by the company. If the company is invested generally by its constitution—again using that word in the sense which has been explained—with the power to do the act in question, and the constitution is silent as to the method of its exercise, the person who deals with the directors as representing the company is not bound to inquire into the scope and limitations of the rules ordained by the company for the regulation of the exercise of the power. In other words, the person so dealing is bound to examine the constitution of the company only, as distinguished from its internal regulations. If that constitution confers the power generally, leaving the method of its exercise to the discretion of the corporators, to be expressed by and embodied in internal regulations, he need go no further, and will be protected in his dealings, at all events if he had no notice of any special limitation placed by rule or by-law upon the exercise of the power by the directors. But if the constitution itself, to which the person so dealing is supposed to have access, and by which he is supposed to guide himself in his dealings, makes the exercise of the power in question by the company or its directors subject to any restrictions, he must go further in his inquiry, and ascertain at his peril whether they have been complied with. Two rules upon this subject are formulated by Mr. Brice in his Treatise upon the Doctrine of *Ultra Vires*. The first is: *Directors have all the authority vested in them by the constating instruments* (meaning the constitution of the company), *except as regards parties actually cognizant of limitations or conditions imposed thereon*. The second is: *When any transactions of a corporation ought to be but are not accompanied with certain formalities, such formalities being directory only, and not essential, the said transactions will be binding upon the corporation as regards persons dealing with it, not having notice, express or implied, of the need of the formality in question.*

The leading English authority upon the subject is *Royal British Bank v. Turquand*.<sup>1</sup>

So far, we have dealt with matters which are beyond the powers, or *ultra vires*, of the company, either generally or unless some precedent condition prescribed by the company's constitution has been complied with. We have seen that any transaction entered into by directors on behalf of the company which falls within either class is not effectual to impose any obligation upon the company. But it by no means necessarily follows, as a universal proposition of law, that the converse is true, viz., that if the act in question is within the powers of the company, either generally or upon performance of the precedent condition, the directors may do the act and thereby bind the company. Whether they may or not depends again upon the constitution of the company. They have no powers which are either expressly or by necessary implication withheld from them by that constitution. This, though a general proposition not to be lost sight of, is not, however, in this Province, in respect to Dominion and Provincial companies, a matter of much practical importance, inasmuch as the general statutes applicable to the vast majority of such companies vest in the directors, as we have seen they do, the power "to administer the affairs of the company in all things." A striking illustration of the extent to which the Courts have gone in affirming the powers of directors under this section to be co-extensive with those of the company itself, is the case of *Whiting v. Hovey*,<sup>2</sup> in which the directors of a manufacturing company, incorporated by Dominion Order-in-Council under what is now The Companies Act (R.S.C., cap. 119), were held to have acted within their powers in making a general assignment of all the property of the company for the benefit of the company's creditors, although in so doing they had acted without the assent or express authority of the shareholders, and although the statute contained no enabling provision upon the subject. In the case of our domestic corporations, therefore, the inquiry

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<sup>1</sup> 5 E. & B. 248; 6 E. & B. 327.

<sup>2</sup> 9 O.R., 314; 13 A.R., 7; 14 S.C.R., 515.

what corporate powers are withheld from directors is practically narrowed to the question which of such corporate powers must be exercised under the sanctions prescribed by these statutes.

Some of the principal matters falling within the powers of companies, and in which questions have been raised as to whether the acts of directors, or officers acting under their direction, effectively bound their companies, may now be referred to.

One very important class of such matters is the borrowing of money. And it is first to be observed that all companies have not power to borrow money. In this country all companies incorporated by Order-in-Council, whether Dominion or Provincial, are expressly authorized to borrow money for the purposes of their business by the respective general Dominion and Provincial Acts already referred to—R.S.C., cap. 119, sec. 37, and R.S.O., cap. 157, sec. 38, subject to certain restrictions which will be referred to presently, and, subject to those restrictions, and to any limitation which may be found in the letters patent of incorporation granted by the Order-in-Council, it may be taken as a universal rule with regard to such companies that they have all the borrowing powers necessarily or usually incident to business of the kind in which they are authorized to engage. But there is no similar general provision in either the Dominion or Provincial Companies' Clauses Act. These Acts (R.S.C., cap. 118, and R.S.O., cap. 156), as has already been pointed out, enact general provisions to be applied to certain companies deriving their existence from special Acts of incorporation passed by Parliament and the Legislature respectively. To such special Acts reference must therefore first be had to ascertain whether such companies have borrowing powers or not. If by them such powers are either expressly conferred or expressly withheld, that of course determines the question. If, on the other hand, the special Act is silent upon the subject, as sometimes, though not often, happens, then the question must be determined by a consideration of the purposes and objects of incorporation, the nature of the business authorized, and the necessary and usual incidents of such a business. It may be generally affirmed that all companies incorporated for

manufacturing, trading and similar purposes, have the power to borrow which is necessary or usual in business of the kind.

Where restrictions are placed upon the borrowing powers of such a company by its special Act, any borrowing of money which takes place in excess of the limitations imposed is *ultra vires*, and the company is not bound by such borrowing. The most frequent restrictions are those which limit the amount which may be borrowed, and those which require the assent of the shareholders. It has been repeatedly decided that where the statute fixes a limit to the amount which the company may borrow, loans in excess of such amount are not binding upon the company.<sup>1</sup> Where the statute requires the sanction of the shareholders in order to the validity of the loan, the absence of such sanction is fatal, subject, however, to the qualification that the shareholders may by ratification or confirmation deprive themselves of the right to object. And, indeed, where the amount to which the borrowing power is limited by the Act has been exceeded, as also in the case where borrowing at all is *ultra vires*, although the shareholders cannot by any ratification validate or make the loan binding, yet the amount borrowed, though not a debt, as such, enforceable against the company, has always been held recoverable from the company by the lender to the extent to which he could establish that it was actually applied in payment of *charges validly created* upon the company's property and of *debts and liabilities* of the company *properly incurred*.<sup>2</sup> But this doctrine does not extend so as to permit recovery against the company of any portion of such a loan which has been applied to the payment of a charge or mortgage not validly created, although the moneys raised by such invalid charge were applied to proper purposes of the company.

While we have seen that all companies, whether Dominion or Provincial, incorporated by Order-in-Council under the general Acts providing for that method of bringing corporations into existence, have borrowing powers, yet a restriction is imposed (which is common to both Acts) where security by way

<sup>1</sup> See *Baroness Wenlock v. River Dee Co.*, L.R. 10 A.C., 354.

<sup>2</sup> *Baroness Wenlock v. River Dee Co.*, L.R. 10 A.C., 354; *Bridgewater, etc., Co. v. Murphy*, 23 A.R., 66.

of bond or debenture of the company is intended to be given, or where it is intended to secure the loan by mortgage, hypothecation or pledge of the real or personal property of the company. The directors must in such a case submit a by-law, authorizing the proposed borrowing, to the shareholders at a general meeting, to be duly called for considering the by-law, and the shareholders represented at such meeting must sanction or pass and approve the by-law by a two-thirds majority.

We have already seen that the subsequent confirmation or ratification by the shareholders of a transaction, of the kind contemplated by the sections in question, which has been carried out by the directors without complying with these requirements, will validate such transaction. The transaction is, however, unless the provisions of the respective sections are complied with, beyond the powers or authority of the directors, and the company will not be bound in the absence of subsequent ratification by the shareholders, except that (as we have seen in the case of companies governed by the other general Acts), where the moneys have been actually advanced and applied to the payment of valid charges upon the company's property or of debts of the company properly incurred, the person advancing the moneys is permitted, upon equitable principles, to enforce repayment by the company to the extent to which the moneys have been so applied.

A further restriction is imposed by the general Dominion Act, in respect of such transactions, which is not found in the Act governing Provincial companies. It is that the amount borrowed shall not, at any time, be greater than seventy-five per cent. of the actual paid-up stock of the company. The result of this limitation is to make borrowing beyond the amount fixed entirely *ultra vires* of the company, and the shareholders cannot ratify or confirm such borrowing, though the writer believes that the same equitable doctrine will be recognized and enforced where the moneys are actually applied in payment of the properly incurred debts of the company, as in the cases already mentioned.<sup>1</sup> This statutory limitation does not, however, apply to commercial paper discounted by the company; R.S.C., cap. 119, section 37b.

<sup>1</sup>*Baroness Wenlock v. River Dee Co.*, L.R., 10 A.C., 354.

To sum up what has been said upon the power of directors to borrow money and bind their principals to repayment of it :

(1) If borrowing at all is beyond the powers of the company, the directors cannot bind it by so borrowing, though repayment may be enforced of so much of the moneys advanced as was actually applied to the discharge of the company's properly incurred debts.

(2) If the amount which may be borrowed is fixed by the company's constitution, that amount may not be exceeded by the directors ; and if it be, the company is not bound by such excess, though the same equitable doctrine may be applied and the same equitable liability may arise from the proper application of the moneys.

(3) In cases of borrowing where the sanction or approval of the shareholders is required, the absence of such sanction or approval prevents the transaction from becoming binding upon the company, unless and until the shareholders have ratified it, which they may do.

(4) Where the directors have acted within the limits of the corporate powers and of their own authority in borrowing money, their company is bound, and, in such case, the lender need not trouble himself with the application of such moneys, as the improper application of them cannot affect his rights.

With regard to bills of exchange, promissory notes and other commercial instruments, the Companies Clauses Acts and the General Letters Patent Acts of both the Dominion and the Province make specific provision. All use the same language. " Every contract, agreement, engagement or bargain made, and every bill of exchange drawn, accepted or endorsed, and every promissory note and cheque made, drawn or endorsed on behalf of the company, *by any agent, officer or servant* of the company, *in general accordance with his powers as such under the by-laws of the company*, shall be binding upon the company ; and in no case shall it be necessary to have the seal of the company affixed to any such contract, agreement, engagement, bargain, bill of exchange, promissory note or cheque, or to prove that the same was made, drawn, accepted or endorsed, as the case may be, in pursuance of any by-law, or special vote or order."

R.S.C., cap. 118, sec. 35, and cap. 119, sec. 76 ; R.S.O., cap. 156, sec. 33, and cap. 157, sec. 59. This section, therefore, applies to all companies which, being incorporated by special Act, either of the Parliament or the Legislature, are made subject to the respective Companies Clauses Acts, and to all companies incorporated by Order-in-Council, under the General Letters Patent Act, whether of the Dominion or the Province.

The first requisite of this section is that the particular instrument must be made, drawn, accepted or endorsed *on behalf of the company*. Illustrations of some bills, notes and cheques which have, and some which have not, been held to bind the company, may be usefully given :

Cheque drawn on a company's bankers, signed by three directors, countersigned by the secretary, with date-stamp having name of company in a circle round the date. Company held not liable, as the cheque did not purport to be the cheque of the company ;<sup>1</sup>

Midland Counties Bldg. Society

We jointly and severally promise to pay, etc.

A. B. } Directors  
D. E. }  
F. G., Secretary

Those signing were held personally liable.<sup>2</sup>

We, the directors of the Isle of Man Slate Co., Limited, do promise to pay J. D., £1,600, etc.

Signed by four directors.

With company's seal.

The directors signing held liable personally.<sup>3</sup>

We, two of the directors of the A. B. Society, by and *on behalf of the society*, promise to pay, etc.

Signed by two directors.

With seal of company.

Held to bind the company.<sup>4</sup>

<sup>1</sup> *Serrell v. Derbyshire, etc., Ry. Co.*, 9 C.B., 811.

<sup>2</sup> *Bottomley v. Fisher*, 1 H. & C., 211.

<sup>3</sup> *Dutton v. Marsh*, L.R. 6 Q.B., 361. See also *Bridgewater, etc., Co., v. Murphy*, 23 A.R., 66.

<sup>4</sup> *Aggs v. Nicholson*, 1 H & N., 165.



We, directors of the Royal Bank, for ourselves and other shareholders of the company, jointly and severally promise to pay, etc., *on account of the company*.

Signed by chairman and two directors.

Held the promissory note of the company.<sup>1</sup>

The next requisite of the section is that the bill of exchange, promissory note or cheque is to be drawn, made, accepted, or endorsed by the agent, officer or servant of the company "in general accordance with his powers as such under the by-laws of the company." We may therefore expect to find, and in practice we almost universally do find, that a general by-law of the company exists, authorizing some particular officer or officers to draw, make, accept or endorse the commercial paper of the company. The authority to enact such a by-law is vested in the directors under the 13th and 35th sections of the two Dominion Acts, and the 15th and 37th sections of the two Provincial Acts respectively. By those sections the directors are empowered to make by-laws for the following among other purposes: "The appointment, functions, duties and removal of all agents, officers and servants of the company." The by-laws passed by them under these sections are, however, in the absence of confirmation at a general meeting of the shareholders duly called for that purpose, to be of force only until the next annual shareholders' meeting, when, if not confirmed, their operation is to cease.

It is, therefore, necessary, when dealing with commercial paper issued by a company subject to the provisions of which we are speaking, to ascertain that such paper is drawn, made, accepted or endorsed by some agent, officer or servant who is empowered by valid by-laws in force, to so draw, make, accept or endorse the same. But once the by-law is shown to give such power generally, then the paper, if in general accordance with such power, is binding upon the company, and no inquiry need be made into the existence of any special or specific authority in respect of the particular paper.

In any cases not within these general Acts, and in which the company's constitution throws no light upon the subject,

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<sup>1</sup> *MacLae v. Sutherland*, 3 E. & B., 1.

the inquiry whether negotiable commercial paper is within the powers of a company, depends for its answer upon a consideration of the purposes and objects for which the company was incorporated, the business which it has been authorized to carry on, and the necessary or usual incidents of a business of the kind. The power in question, like the power to borrow where the company's constitution is silent (which has been explained at a previous page), may be generally affirmed to exist in the case of manufacturing, trading and similar companies. The business of these companies is business to which commercial paper is a usual, and, indeed, a necessary incident. But if the business in which the company is authorized to engage is a business which is ordinarily carried on without the use of commercial paper, it is doubtful whether the company may, by law, enter into contracts of this class.

It may further be observed, before leaving this section, that the same authority which will validate commercial paper, will also validate all "contracts, agreements, engagements and bargains," subject to the same two requisites, viz., that the act in question must be done "on behalf of the company," and that the officer or agent doing the act must do it "in general accordance with his powers under the by-laws of the company."

It may be useful to summarize briefly the provisions of these general Acts, to which, or some of which, reference must be had when considering the various questions which may arise as to the existence and extent of directors' powers.

The following provisions, with the variations indicated, are found in both Dominion and also in both Provincial Acts. They are, therefore, subject to the slight variations which will be mentioned when stating any particular provision, applicable to all companies which, being incorporated by special Act, whether of Parliament or Legislature, are subject to the General Clauses Act, either of Canada or Ontario, and also to all companies incorporated by Order-in-Council, under the provisions of the Dominion Companies Act, or of the Ontario Companies Letters Patent Act.

(1) Power is conferred to acquire, hold, alienate and convey any real property *necessary or requisite for the carrying on of the company's undertaking.*

(2) The board must be composed of not less than three directors. In companies governed by the Dominion Companies Act the number must not exceed fifteen, and in companies governed by the General Clauses Acts, Dominion and Provincial, it must not exceed nine. No maximum number is named in the Provincial Letters Patent Act. In the case of companies (either Dominion or Provincial) incorporated by Order-in-Council, the directors may pass a by-law for increasing or decreasing the number of directors. The number may not be decreased below the statutory minimum, three, nor, in Dominion companies, may it be increased beyond the statutory maximum, fifteen. Any such by-law must be approved by a two-thirds majority in value of the shareholders.

(3) Directors must be shareholders, owning in their own right, absolutely, stock not in arrear. The majority of a board of directors must, according to the express provisions of both Dominion Acts, be British subjects, resident in Canada. Under the Provincial General Clauses Act there is a similar requirement, but the other Provincial statute omits any requirement as to nationality or residence.

(4) Directors are empowered to elect the president of the company, to fill vacancies occurring in the board between general elections, and to appoint and remove all officers of the company. Directors retain office until their successors are elected, though the term for which they may have been elected has expired.

(5) The directors may administer the affairs of the company in all things (as we have already seen), and make, or cause to be made, any description of contract which the company may, by law, enter into.

(6) The directors have power to make by-laws, subject to confirmation by the shareholders, for the following purposes :

- (a) Allotting, calling and payment of stock, issuing and registration of stock certificates, and forfeiture and transfer of stock ;
- (b) declaring and paying dividends ;
- (c) regulating the number, term of service, qualification and remuneration of directors ;

- (d) the appointment, functions, duties, removal and remuneration of officers and servants ;
- (e) regulating the holding of annual meetings of the company, the calling of meetings, regular and special, of the board and of the company, the quorum, requirements as to proxies, and procedure at such meetings ;
- (f) the imposition and recovery of penalties and forfeitures ;
- (g) the conduct in all other particulars, of the business of the company.

all of which by-laws are subject to confirmation by the shareholders.

(7) Directors may allow or refuse to allow stock not fully paid up to be transferred, and if they allow such stock to be transferred to persons not apparently of sufficient means, they, or those of them not protesting against the transfer, are personally liable to creditors to the same extent as the transferring holder would have been, had he not transferred.

(8) Certain books must be kept open to inspection, at the peril of forfeiture of the corporate rights, and directors or other officers making untrue entries, refusing inspection, etc., etc., are made civilly and criminally liable.

(9) Powers as to bills, notes and other contracts (already explained).

(10) Prohibition against issuing notes payable to bearer, or intended to circulate as money or bank notes.

(11) Company not bound by notice of trusts upon which shares held.

(12) If directors pay a dividend when the company is insolvent, or the payment of which renders the company insolvent or diminishes its capital, they, or those of them who do not protest in the manner provided, are liable to the company, to the individual shareholders and to creditors, for all the company's debts then existing, and all thereafter contracted during their continuance in office.

(13) Prohibition against loaning to shareholders, and provision making directors and officers making or assenting to such loan liable, to the extent of the loan, both to the company and to creditors becoming such after the date of the loan, until its repayment.

(14) Use of the word "Limited" in all contracts of the company made compulsory upon directors, under penalty of personal liability in respect of such contracts.

(15) Directors personally liable for one year's wages of laborers, servants and apprentices, incurred during their term of office. Only for six months' wages under the Dominion Companies Act.

(16) Prohibition against purchase by company of stock in another company, unless authorized by the special Acts of both companies.

The powers and limitations which have been enumerated are applicable to all companies governed by these general Acts, but there are certain other powers and limitations conferred and imposed by the general Acts relating to incorporation by letters patent under Orders-in-Council, which should be referred to. These powers and limitations will be understood to apply to companies incorporated by Orders-in-Council under either the Dominion or the Provincial Act.

(1) Power is given to the company by resolution, passed by a two-thirds majority of its shareholders at a duly called meeting, to authorize the directors to apply

(a) for an extension of the company's powers ;  
and in the case of Provincial companies,

(a) for authority to limit or increase the borrowing powers of the company ;

(b) for authority to provide a reserve fund ;

(c) for authority to vary the provisions of the charter ;

(d) for authority to make provision for any other thing which might have been provided for by the original charter.

(2) Directors may, by by-law,

(a) sub-divide existing shares into shares of smaller amount ;

(b) increase the capital stock ; but only after whole stock taken up and fifty per cent. paid in, (D) ; or after nine-tenths of whole stock taken up and ten per cent. paid in (O) ;

(c) reduce the capital stock ; but shareholders shall remain liable to persons who are creditors at the time of reduction, as if capital not reduced.

And in all three cases (a), (b) and (c), such by-law will have

no force unless sanctioned or approved by a two-thirds majority in value of the whole subscribed stock, at a special general meeting duly called for considering the by-law, and unless afterwards confirmed by supplementary letters patent.

(3) Directors may pass by-laws for changing the company's chief place of business, but no such by-law is to be valid until approved by the vote of a two-thirds majority in value of shareholders, at a special meeting duly called for considering the by-law.

(4) Directors may, when authorized by a by-law for that purpose passed by a majority in value of shareholders at a special meeting duly called for considering the by-law, borrow money upon the credit of the company, and issue bonds or debentures for the sums borrowed, or hypothecate, mortgage or pledge the real or personal property of the company to secure sums borrowed. Under the Dominion Act the amount borrowed is not to exceed seventy-five per cent. of the actual paid-up capital.

(5) Under the Ontario Letters Patent Act the directors have a further power which is not found in any of the other Acts, the power to issue preference stock. This power, however, is safe-guarded by making it necessary for the directors to submit the by-law to a special general meeting of shareholders, duly called for its consideration, and by requiring a unanimous vote of the shareholders at such meeting in its favor. Or the directors may pass a by-law without submission to a shareholders' meeting, if they obtain the unanimous sanction of the shareholders in writing thereto. The by-law may provide for giving the holders of such preference stock a controlling voice in the constitution of the board, or otherwise in the affairs of the company. The rights of creditors, however, are not affected in any way by the issue or holding of preference stock.

These are, speaking generally, the express legislative provisions to which reference must usually be had, when the powers of directors of companies subject to these general Acts are to be ascertained.

So far, we have considered the powers of the directors as dependent upon the powers conferred upon the company itself,

and we have seen that where any particular transaction is beyond the company's powers, its directors cannot be authorized to engage in it on the company's behalf. On the other hand, so far as the vast majority of companies acquiring their existence under our laws are concerned, we have seen that where the particular matter is within the scope of the purposes for which the company was created, and within its powers, or *intra vires* of the company, the directors, speaking generally, are by law the company's agents, clothed as such with authority to deal with the particular matter so within the powers of the company. We have also seen that, in certain defined cases, the exercise of the powers of the company by its agents, the directors, is made subject to certain statutory sanctions, and that compliance with those statutory sanctions is made a condition precedent to the company's being bound by its agents' acts.

But we have, so far, viewed the subject only in its bearing upon the contractual relations into which the company may be brought by its agents, in the course of their agency.

It is next to be observed that, although it cannot be said that companies are brought into existence with the object and for the purpose of committing wrongs, and although it is not to be supposed that the agents of companies have any implied authority to commit wrongs, yet it is well settled that the company is responsible to third persons against whom or to whose property wrongs have been committed by the directors or other agents of the company, in the course of their agency, and while engaged in the performance of acts within their authority. It was formerly thought that a corporation could not be liable for a wrong, or *tort*, because its charter did not authorize any wrongdoing by it, and because of the intangible nature of corporate existence. And it was argued that a corporation could only be bound by the acts of its agents within the scope of their authority, and that the corporation, having neither power nor authority nor ability to commit a *tort*, could not authorize or enable its agent to do what was beyond the scope of the corporate authority or ability. It is quite true that the commission of a wrong involves an unauthorized exercise of the corporate power, but it does not follow that the company should not answer for the

wrong. And it is settled that the doctrine of *ultra vires* does not apply to the case of wrongs or *torts*.

But a corporation or company which, viewed as a distinct being, does nothing in its own person, but everything by its agents, is not liable for the acts of those agents unless they are committed in the course of the agents' employment. This is the result of the general law of agency, and is not peculiar to corporations. The rule is that a principal is liable for a wrong "committed by his agent in the performance of the business which he was employed to transact, even though the particular act may have been done without the knowledge, or against the express instructions, of the principal. But a principal is not responsible for an act performed by his agent while in no manner engaged in performing the business of his principal."<sup>1</sup>

Another subject which has given rise to much discussion is the extent to which a company is to be made liable for frauds committed by its agents in the course of their transaction of the company's business. And it is well settled that where the directors or other agents of the company have, in transacting the business of the company, by fraud or misrepresentation, induced third persons to enter into contracts with the company, as the purchase of shares, the persons defrauded have the right, against the company, to rescind such contracts; the company cannot repudiate responsibility for the fraud of the agent, and at the same time retain the advantage reaped from such fraud by the company.

In conclusion, a word or two may be said with regard to the position of directors as trustees. The result of such position is that "a director of a company is precluded from dealing on behalf of the company with himself, and from entering into engagements in which he has a personal interest conflicting, or which possibly may conflict, with the interests of those whom he is bound by fiduciary duty to protect."<sup>2</sup> Speaking generally, then, he cannot, on behalf of the company, sell to or buy from himself. He must not occupy the position of vendor and

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<sup>1</sup>*Morawetz on Corporations*, 2nd ed., sec. 730.

<sup>2</sup>*N. W. Transportation Co. v. Beatty*, L.R., 12 A.C., 589.



vendee in the same transaction. Nor can he employ his powers as director (which are the corporate powers), or the corporate assets, for his own private profit or advantage, or otherwise than for the benefit of his principal, the company. He is bound not to misapply those powers or those assets, and any object or purpose to which they are put, which is not the object and the purpose of the company, is such a misapplication. But he is not, like a trustee, bound not to risk the company's property. The company's business (if it be a trading company) is to risk its property in the business to carry on which it was formed, and the director is the agent entrusted with embarking the property in the risk. Nor, because he is a director or trustee, is he precluded from using his vote, *as a shareholder*, at a shareholders' meeting, upon a question in which his personal interests are antagonistic to those of the company. He is not trustee for the company of the shares he has purchased in the company. Those shares are his private property, and so is the franchise which the law attaches to them.

GEO. F. SHEPLEY

Toronto, June, 1896

## PAST CANADIAN BANKERS

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DAVID DAVIDSON

THE records of banking and mercantile history in Canada about the close of the first half of the present century may indeed be studied with both interest and profit, especially when the circumstances prevailing at that period are duly taken into consideration. One feature of great importance at that period was that railway construction was in its infancy, and there were no roads to connect the chief places of the then existing provinces. The Atlantic & St. Lawrence Road was only completed to Island Pond in 1853 and the Grand Trunk Railway to Toronto in 1856, while it was 1858 before the Great Western Railway was completed. Trade was therefore far more centralized than at present, and, under these conditions, the men who had charge of the banking offices at the chief points held positions of great responsibility.

The late Mr. David Davidson, who figured prominently at this period, was not trained in early life as a banker, being engaged in mercantile pursuits, and it was not until his 34th year, in 1842, that he came out to Canada as manager of the Bank of British North America in Montreal, with his mind trained by his experience during somewhat troublous times in Scotland.

At the time of his arrival in Canada there was great depression in the country, many failures occurring in Montreal and Quebec (the latter place being of far more relative importance than it is now), and although for a few years afterwards business revived, there was again in 1849 a curtailment of credits, followed by two years of depression. Business then improved, so that in 1855, when Mr. Davidson severed his connection with the Bank of British North America and entered the service of the Bank of Montreal, he took with him a store of experience of alternate prosperity and depression in the



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DAVID DAVIDSON



country, and a thorough knowledge of the resources and requirements of the merchants of Montreal. He was at that time in the prime of his mental vigor, and it was in that institution that he made his chief mark in Canada. He is described by his contemporaries as being a man of commanding presence, slow of speech, and with a reserve of manner which made him appear cold to some people, but withal he had firm friends. Punctilious to a degree himself, he required due observance of decorum on the part of others, and the respect which he inspired was intensified by his decision of character. It was recognized that his "no" to a customer meant an unalterable refusal.

The panic of 1857 struck Canada later than it did the United States, although the early part of the year had been characterized by dullness and contraction. There was a poor harvest in Canada that year, added to which there was depression in the timber trade, at that time a very important factor indeed in Canadian business. The report of the directors of the Bank of British North America as to the business of 1857 speaks of the "all but unprecedented convulsion" during the year. During that time and the succeeding two years of depression there was necessarily much anxiety among Canadian bankers and their clients. From one of the latter we learn that there was then much nervous uncertainty among Montreal merchants as to what discount accommodation would be granted by the banks. It was decided on the part of the banks' representatives, chief among them being Mr. Davidson, that each bank would carry its customers, and our informant states that he never had an easier winter than that of 1857-8. It was considered that the decision of Mr. Davidson and of the other banks at that time saved the country from disaster.

Outside of his banking life, as well as within it, Mr. Davidson's characteristics were such as inspired respect and esteem. Fond of country life, he yet took a keen interest in Montreal affairs, and the High School owed much to his exertions in securing a staff of well qualified teachers, in addition to which he interested himself in the affairs of McGill College.

Returning to Scotland in 1863, he was appointed to the responsible post of Treasurer of the Bank of Scotland, and

thenceforth, until his final retirement from active pursuits in 1878, he was associated with that bank, being instrumental in extending their business in London and in otherwise forwarding their interests. After his retirement in 1878 he resided in London until his death in 1891.

As a banker in Canada his characteristics were those which made for sound business, and, although some of them might be considered old-fashioned in these days, when single-name paper is so much the rule, and when there has been somewhat of a reversal of the relative attitudes of banker and customer, nevertheless he established a first-class business. With him superficial brilliancy carried no weight ; his vision was deep and true. It is related of him that on one occasion a customer brought in with other bills an acceptance of a firm which at that time did a large business in Montreal, and had a great reputation, but afterwards failed. Mr. Davidson threw out the bill, to the extreme surprise of his customer, who exclaimed " What ! is not \_\_\_\_\_'s bill good ?" " Yes" quietly said Mr. Davidson, " it is quite good if they are going to pay it when it falls due."

With his retirement to Scotland in 1863 Canadian interest in Mr. Davidson ceases, except in so far as his honorable career later on is satisfactory to the country in which he received his training for banking life.

E. S.



## SHORT METHODS OF COMPUTATION

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He who can easily, rapidly, and accurately add, subtract, multiply and divide, is a computer.—DE MORGAN

THE matter in the paragraphs following is composed of selections from the first pages of "*Computation*,"\* a work published by me last year. These selections exemplify fully some general methods of an elementary character for arriving at rapidity of numerical calculation. They involve fundamental changes in the methods generally taught in school courses, and if thoroughly understood would be of considerable assistance to the business man who has much to do with arithmetical calculations. They are not entirely new, and that they are so little known is owing to the circumstance already alluded to, *i.e.*, that in schools due attention has not been paid to arithmetic as an art of computation.

### SUBTRACTION

1. The ordinary "school" method of Subtraction should be discarded in favor of the "shop" or "complementary" method; the problem in Subtraction being looked upon as *an inverse question in addition*.

Thus if we are asked to find the remainder when 4789 is taken from 8473, we should state the question to ourselves mentally in the form "what number added to 4789 would make the sum 8473?" and do our work from this point of view, thus:—

8473	9 and 4 make 1'3, carry 1
4789	9 and <u>8</u> make 1'7, carry 1
<hr/>	
3684	8 and 6 make 1'4, carry 1
	5 and <u>3</u> make 8

Setting down the digits underlined just as we say them, and

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\*London, New York and Bombay; Longmans, Green & Co.

emphasizing the "teen" as indicated by the accent, to prevent our forgetting to carry the 1.

Note that in working the examples we have added *downwards*: consequently we check by adding upwards; 4, 1'3; 9, 1'7; 7, 1'4; 4, 8.

2. The chief object of getting thoroughly used to the above method of doing Subtraction is to be able to extend it subsequently to Long Division. It will serve as an introduction to this extension if the student works a few examples like the following *in one operation*.

(1) From 9786453 take six times 1432985.

Work thus:—

9786453	6 times 5, 30; and $\underline{3}$ ; 3'3.
1432985	6 times 8, 48; and $\underline{3}'$ ; 51 and $\underline{4}$ ; 5'5.
<u>1188543</u>	6 times 9, 54; and $\underline{5}'$ ; 59 and $\underline{5}$ ; 6'4.
	6 times 2, 12; and $\underline{6}'$ ; 18 and $\underline{8}$ ; 2'6.
	6 times 3, 18; and $\underline{2}'$ ; 20 and $\underline{8}$ ; 2'8.
	6 times 4, 24; and $\underline{2}'$ ; 26 and $\underline{1}$ ; 2'7.
	6 times 1, 6; and $\underline{2}'$ ; 8 and $\underline{1}$ ; 9.

(2) From 6485324 take away the sum of 57364, 485972, 2387542, and 396485.

Work thus:—

6485324	5, 7, 9, 13 and $\underline{1}$ ; 1'4.
<u>57364</u>	9, 13, 20, 26 and $\underline{6}$ ; 3'2.
485972	7, 12, 21, 24 and $\underline{9}$ ; 3'3.
2387542	9, 16, 21, 28 and $\underline{7}$ ; 3'5.
<u>396485</u>	12, 20, 28, 33 and $\underline{5}$ ; 3'8.
3157961	6, 9, 13 and $\underline{1}$ ; 1'4.
	3 and $\underline{3}$ ; 6.

The method used in (2) may sometimes be applied to advantage in Practice and in Multiplication.

(i) Find the value of  $512\frac{3}{4}$  things at 16s.  $4\frac{1}{4}$ d. each.

Here £1 - 16s.  $4\frac{1}{4}$ d. = 3s.  $7\frac{1}{4}$ d.

3s. 4d.	$\pounds \frac{1}{8}$	512·6667
2d.	$\frac{1}{80}$	85·4444
1d.	$\frac{1}{8}$	4·2722
$\frac{1}{4}$ d.	$\frac{1}{4}$	2·1361
		·5340

£420·2800

5.6

7·2

Result, £420 5s. 7d.

(ii) Multiply 127·4 by ·9889.

Here ·9889 = 1 - ·0111.

$$\begin{array}{r}
 127\cdot4 \\
 \hline
 1\cdot274 \\
 \phantom{1}1274 \\
 \phantom{1}01274 \\
 \hline
 125\cdot98586
 \end{array}$$

3. One special piece of Subtraction which has often to be done is to obtain the *Arithmetical Complement* of a given number; i.e., to find what must be added to the given number to make up the next higher power of 10.

Thus, by the Arithmetical Complement of 47365281 is meant the number that must be added to it to make up 100000000.

The rule is easily seen to be: *Proceeding from left to right, write under each digit but the last its defect from 9; under the last write its defect from 10.*

Thus :—Given number, 47365281.

Arithmetical complement, 52634719.

Similarly the arithmetical complements of

436 28 9 2·3 ·72614  
are 564 72 1 7·7 ·27386 respectively.

#### MULTIPLICATION

4. Multiply by the digits of the multiplier successively exactly in the reverse order to that usually taught; i.e., begin with the digit of highest order, and end with that in the units

place. Thus, in multiplying 52367 by 2459 take the digits in order from left to right, 2, 4, 5, 9, and arrange the work thus :—

$$\begin{array}{r}
 52367 \\
 2459 \\
 \hline
 104734 \\
 209468 \\
 261835 \\
 471303 \\
 \hline
 128770453
 \end{array}$$

The advantage of this method will become more apparent when the student is learning to *abridge* his work for *approximate* results.

To verify the work use the old method of *casting out the nines*, as follows :—

The remainders, when 52367 and 2459 are divided by 9, are respectively 5 and 2.

The remainder, when the product 10 of these two remainders is divided by 9, is 1; this, if the work is correctly done, will be the remainder when 128770453 is divided by 9, and on trial this is found to be the case.

9 is chosen because we can find the remainders most readily; the remainder left when any number is divided by 9 being the same as that left when the sum of its digits is divided by 9. Thus, taking the numbers 52367, 2459, 128770453, the sums of the digits are respectively 23, 20, 37, and the remainders consequently 5, 2, 1.

5. In multiplying decimals, do not, as it is usual to do, omit the points from the factors and afterwards point off the product, but write the factors down so that point comes under point, and let each partial product be pointed; this only involves pointing the first partial product correctly, the rest following naturally. Take as an example the product

- (i) of 2457·086 and 328·19 ;  
 (ii) of 24570·86 and ·032819.

2457·086  
 328·19

---

737125·8  
 49141·72  
 19656·688  
 245·7086  
 221·13774

---

Here, beginning to multiply by the 3 and saying "3 times 6, 18," we write the 8 not under the 6 from which it is derived, but *two places further to the left*, because the 3 is *two places to the left of the units place*.

806391·05434

24570·86  
 ·032819

---

737·1258  
 49·14172  
 19·656688  
 ·2457086  
 ·22113774

---

Here the 8 is written *two places further to the right* than the 6 from which it is derived, because the 3 is *two places to the right of the units place*.

806·39105434

6. When the multiplier consists of only two digits the work should be shortened by adding the result of the multiplication of the second digit to that already obtained. Thus in multiplying 52367 by 24, after the multiplication by 2 we should proceed as indicated by the figures.

	2'8
52367	24, 26, 3'0
24	12, 15, 1'8
<hr/>	8, 9, 1'6
104734	20, 21, 2'5
1256808	2, 2'1
<hr/>	1

This method can be easily extended to a multiplier with any number of digits. Thus, to return to our first example :

$$\begin{array}{r}
 52367 \\
 2459 \\
 \hline
 104734 \\
 1256808 \\
 12829915 \\
 128770453 \\
 \hline
 \hline
 \end{array}$$

the second, third and fourth results being respectively 24 times, 245 times, and 2459 times 52367.

It should be noticed that to multiply by a number of two digits of which one is unity, only requires one line of work. The steps being indicated thus:—

$$\begin{array}{r}
 52367 \\
 14 \\
 \hline
 733138 \\
 \hline
 \hline
 \end{array}
 \qquad
 \begin{array}{r}
 2'8 \\
 24, 26, 3'3 \\
 12, 15, 2'1 \\
 8, 10, 1'3 \\
 20, 21, 2'3 \\
 7
 \end{array}$$

When first using this method the student is apt to omit the last step. (Here  $2 + 5 = 7$ .)

Excellent examples in combined multiplication and addition can be found in reduction.

*Ex.* To reduce £5 3s. 7½d. to farthings.

$$\begin{array}{r}
 \text{£} \quad \text{s.} \quad \text{d.} \\
 5 \quad 3 \quad 7\frac{1}{2} \\
 103 \quad 1243 \\
 4973 \text{ farthings.}
 \end{array}$$

7. Special methods, depending on the form of the multiplier, may sometimes be devised for obtaining a product. A few examples are given below.

(i) Multiply 5674 by 999.

Since  $999 = 1000 - 1$ , we obtain the result by the following piece of subtraction. :—

$$\begin{array}{r}
 5674000 \\
 5674 \\
 \hline
 5668326
 \end{array}$$

(ii) Multiply 5642 by 9997.

We subtract three times 5642 from 56420000, doing the multiplication and subtraction concurrently as in (i) of paragraph 2.

$$\begin{array}{r} 56420000 \\ \underline{56403074} \\ \hline \end{array}$$

(iii) Multiply 578·643 by 2·987.

Here 2·987 = 3 - ·013.

$$\begin{array}{r} 578\cdot643 \\ \hline 1735\cdot929 \\ \hline 5\cdot78643 \\ 1\cdot735929 \\ \hline 1728\cdot406641 \end{array}$$

*Compare the example worked in example (ii) of paragraph 2, where the same method is used.*

(iv) Multiply 89763 by 25.

$$\begin{array}{r} 8976300 \\ 89763 \times 25 = \frac{\quad}{4} \\ = 2244075. \end{array}$$

Similarly for multiplication by 2·5, ·25, ·025, etc.

(v) Multiply 89763 by 125.

$$\begin{array}{r} 89763000 \\ 89763 \times 125 = \frac{\quad}{8} \\ = 11220375 \end{array}$$

Similarly for multiplication by 12·5, 1·25, ·125, etc.

#### DIVISION

8. If the student is not provided with a table of multiples of the divisor, he should adopt what is called the "Italian method," which consists in writing down the remainders while doing the multiplication, and omitting the multiples of the divisor, the remainders being obtained by the method of subtraction previously recommended.

E.g., to divide 118603127 by 52739 we work thus, obtaining the first remainder 13125, as follows:—

$$\begin{array}{r}
 2248 \\
 \hline
 52739 \ ) \ 118603127 \quad \text{Twice 9, 18, and 5, } 2\frac{1}{3} \\
 \underline{131251} \quad \text{Twice 3, 6, 8, and 2, } 1'0 \\
 257732 \quad \text{Twice 7, 14, 15, and } 1, 1'6 \\
 \underline{467767} \quad \text{Twice 2, 4, 5, and } 3, 8 \\
 45855 \quad \text{Twice 5, 10, and } 1, 11
 \end{array}$$

then bringing down the next figure, 1, and proceeding as before.

As in multiplication, "casting out nines" may be used for a test of correctness.

9. When the Italian method has been thoroughly learned the computer may occasionally find an advantage in using it in combination with a way of writing down the successive remainders different to that usually employed. It is given in Lang's *Higher Arithmetic*.<sup>1</sup> Thus, in the division of 1248631742953, given below, the successive remainders, 212, 54, 25, 251, 186, 51, 253, 208, 13, 133, are written diagonally instead of across the page, from left to right.

As we proceed, the work *stretches across the paper from left to right*, instead of *lengthening downwards*.

$$\begin{array}{r}
 259 \ ) \ 1248631742953 \\
 \hline
 \quad 245 \ 61383 \\
 \quad 152 \ 85501 \\
 \quad \quad 2 \quad 1 \ 22 \\
 \hline
 \quad \quad 4820971980
 \end{array}$$

The method allows the quotient to be written figure by figure beneath the rest of the work (*as in Short Division*), an arrangement of considerable advantage when several successive divisions have to be performed, especially when the divisors are short compared with the dividends.

The division of 43825761 by 19 is given below as a further example:—

$$\begin{array}{r}
 19 \ ) \ 43825761 \\
 \quad 51 \ 137 \\
 \quad \quad 1 \ 1 \\
 \hline
 \quad \quad 2306619
 \end{array}$$

<sup>1</sup> A similar arrangement is described in O'Gorman's *Intuitive Calculations*.



Here the successive remainders are 5, 1, 12, 11, 3, 17, 0.

The method is specially applicable in finding Present Worth.

10. Special methods, depending on the form of the divisor, may sometimes be devised for obtaining a quotient; a few examples are given below :—

(i) Divide 45326107 by 999.

Since  $999 = 1000 - 1$  we obtain the result by the following piece of addition :—

$$\begin{array}{r} 45326\,107 \\ 45\,326 \\ \phantom{45}\,45 \\ \hline 45371\,478 \end{array}$$

the quotient being 45371 and the remainder 478.

If a digit has to be carried from right to left of the vertical line the same digit must be added to the number on the right of it.

Thus,  $873635421 \div 999$  gives quotient 874509 with remainder 930, since unity is carried.

$$\begin{array}{r} 873635\,421 \\ 873\,635 \\ \phantom{873}\,873 \\ \hline 874509\,929 \end{array}$$

(ii) Divide 5674 by 25.

$$\frac{5674}{25} = \frac{5674 \times 4}{100} = 226.96$$

(iii) Divide 5674 by 125.

$$\frac{5674}{125} = \frac{5674 \times 8}{1000} = 45.392$$

#### VULGAR FRACTIONS

11. In simplifying complex fractions students should apply the theorem :—

*“The value of a fraction is unaltered by multiplying both numerator and denominator by the same number”* much more directly than they usually venture to do: as directly, in fact, as

they apply the converse principle as to dividing both numerator and denominator when they are reducing fractions to their lowest terms.

Thus the complex fraction  $\frac{2\frac{3}{4}}{5\frac{1}{8}}$  should be reduced to the simple equivalent fraction  $\frac{2\frac{3}{4}}{5\frac{1}{8}}$  at once by multiplying numerator and denominator by 8, without any recourse to the process :

$$\frac{2\frac{3}{4}}{5\frac{1}{8}} = \frac{1\frac{1}{2}}{\frac{5}{2}} = \frac{1}{2} \times \frac{2}{5} = \frac{1}{5}.$$

As another example :  $\frac{\frac{1}{2} - \frac{1}{8}}{1 + \frac{1}{8}} = \frac{5-3}{15+1} = \frac{2}{16} = \frac{1}{8}.$

The same method frequently applies to fractions in which the numerator and denominator are concrete quantities. Thus :

$$\frac{\text{£}4 \text{ 17s. 3d.}}{\text{£}5} = \frac{\text{£}19 \text{ 9s.}}{\text{£}20} = \frac{389}{400}.$$

12. It is usual in school text-books and in school work, to keep vulgar fractions and decimal fractions much too distinct from one another. Each kind has its own special advantage, and it is frequently useful to avail oneself of both *in the same piece of work*. Thus there is no objection to the mixed notation illustrated in the following statements :  $\frac{1}{8} = .05\frac{1}{8}$ ;  $\frac{1}{4} = .04\frac{1}{4}$ .

Again, in finding the product of two numbers, one of which is expressed as a decimal and the other as a vulgar fraction, it is not only unnecessary, but frequently very inadvisable to do what the ordinary school-boy would be almost certain to do, *i.e.*, express each in the same way before multiplying. For instance, if we have to find the product of  $4.7892$  and  $6\frac{1}{2}$  it is best to arrange the work thus :—

$$\begin{array}{r} 4.7892 \\ 28.7352 \\ 1.5964 \\ \hline 30.3316 \end{array}$$

This example illustrates the general principle that it is advantageous to use *decimal fractions to operate on*, but *vulgar fractions to operate with*.

Special devices in connection with operations like the above may occasionally be adopted with advantage. For instance, if we had to multiply  $5.89673$  by  $4\frac{1}{8}$  it would save trouble to use the identity  $4\frac{1}{8} = 5 - \frac{1}{8}$ , thus :—

$$\begin{array}{r} 5\cdot89673 \\ 29\cdot48365 \\ \cdot73709125 \\ \hline 28\cdot74655875 \end{array}$$

Sometimes the methods of "Practice" may be usefully employed. Take for examples the product of (i)  $43\cdot576$  and  $5\frac{1}{8}$ , (ii)  $\cdot02739$  and  $\frac{1}{3}\frac{1}{8}$ .

$$\begin{array}{r} \text{(i) } 1\frac{1}{8} \frac{1}{8} \quad 43\cdot576 \\ 217\cdot880 \\ 1\frac{1}{8} \frac{1}{8} \quad 21\cdot788 \\ 2\cdot7235 \\ \hline 242\cdot3915 \end{array}$$

$$\begin{array}{r} \text{(ii) } \frac{1}{3}\frac{1}{8} \frac{1}{8} \quad \cdot02739 \\ \frac{1}{3}\frac{1}{8} \frac{1}{8} \quad \cdot0068475 \\ \frac{1}{3}\frac{1}{8} \frac{1}{8} \quad \cdot00342375 \\ \cdot0008559375 \\ \hline \cdot0111271875 \end{array}$$

Attention is specially directed to the *principle* of "Practice," viz., the *decomposition of a fraction or set of fractions into a series of other fractions, each of which has unity for its numerator*. In ordinary text-books the method is only applied to fractions of *concrete* quantities. Thus when we take "aliquot

parts" for 16s.  $7\frac{1}{2}$ , we replace the set of fractions  $\frac{16}{20} + \frac{7\frac{1}{2}}{240}$  by

the equivalent set  $\frac{1}{2} + \frac{1}{4} + \frac{1}{80} + \frac{1}{40} + \frac{1}{160}$ . The following decompositions may be found useful in themselves, and may also serve to suggest others:—

$$\begin{array}{l} \frac{1}{15} = \frac{1}{10} + \frac{1}{30}; \quad \frac{1}{9} = \frac{1}{6} + \frac{1}{18} \\ \frac{1}{27} = \frac{1}{8} + \frac{1}{24}; \quad \frac{1}{36} = \frac{1}{4} + \frac{1}{36} \\ \frac{1}{45} = \frac{1}{5} + \frac{1}{45}; \quad \frac{1}{54} = \frac{1}{6} + \frac{1}{54} \\ \frac{1}{72} = \frac{1}{8} + \frac{1}{72}; \quad \frac{1}{81} = \frac{1}{9} + \frac{1}{81} \end{array}$$

Occasionally differences of such fundamental fractions may be used instead of sums; thus:  $\frac{1}{3}\frac{1}{8} = \frac{1}{4} - (\frac{1}{16} + \frac{1}{32})$ .

When the student has fully mastered the above, he will be in a position to avail himself of various methods of *abbreviation and approximation* which it would be hopeless for him to attempt unless he has learnt how to perform the elementary processes of arithmetic in a rational way. For these he is referred to "Computation" itself. I have merely shown here *how the work is to be done* as a necessary preparation for showing *how it may be cut short*.

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## THE PEOPLE'S BANKS OF EUROPE

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THAT an organization having for its chief aim the lending of capital on the personal credit of individuals not possessed of belongings out of which to furnish suitable security, could prosper or even live, is a proposition which would be sceptically received by our modern banker. What then would be said of the broader proposition that, organized on certain principles, such a business may be made to yield a smaller percentage of bad debts than a carefully conducted loaning business of similar dimensions where tangible security is the sole basis of loans; and further that the methods of a lending society could be such as to promote among its borrowers habits of punctuality, industry and thrift, in so high a degree that the appearance of whole countrysides should be known to change from that of poverty and decay to that of growth, prosperity and comfort?

Yet it is such an accomplishment on the European continent that is related by Henry W. Wolff in his work *People's Banks*\*.

The book is not of most recent publication, having issued from the London press in 1893. The subject, however, is now attracting attention in Great Britain, and as scarcely anything of it is known on this continent it may still be profitable to sketch here the phenomena of which the book treats.

The people's banks with which the book has to do originated in Germany. To whom the merit belongs of being the first to put the idea of co-operative credit-banking into practical form, has been the subject of a controversy which is said to have at times grown curiously heated. Schulze or Raiffeisen? Both began their work about the same time—the one in the east and the other in the west of Germany—in entire ignorance of each other, so that so far the same credit is due to each. Both were animated by motives of pure philanthropy, and towards

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\*London and New York: Longmans, Green & Co.

much the same class of the community, but following theories entirely different there has resulted two great systems of people's banks named after their respective founders, neither system antagonistic to the other, and both performing a useful work, though in different degrees. Here, then, in the merits of the respective systems, is to be determined what merit is due to Herr Schulze and what to Herr Raiffeisen.

It is the Raiffeisen Loan Banks which attract our interest. The Schulze system has, from the nature of its organization, attained the greater dimensions, but in the other is to be found the economic development which astonishes. In the history of the Schulze associations, however, organized as they were in the main for the same end as the Raiffeisen banks, and planted in the midst of the same race of people—is also be found an instructive lesson and one which will render possible a more complete demonstration of the proposition indicated in a previous paragraph.

The fundamental difference in the organization of the two systems lies in this, that the Raiffeisen banks put the *borrower's* interest foremost, Schulze's the *lender's*; apparently Schulze felt that it was necessary to the success of his effort to aid the borrower, that the greater inducement should be offered to the lender.

Schulze's first "Credit Association" was formed in 1850. At his death in 1883 there are said to have been no less than 4,000 associations of various sorts established in Germany on the principles he advocated, comprising about 1,200,000 members, disposing of capital of their own of more than £10,000,000, and doing a business calculated at not less than £100,000,000 a year.

Members joining a Schulze association are required to take one share, and are not permitted to take more. The value of the share is advisedly fixed high—the figure originally being £30—which may be paid up by very small instalments. When a member has paid up his share, further savings will be taken from him only on deposit. The associations also seek and have acquired deposits from outsiders to a large amount, but since 1889 they will not lend to any person who has not become a member. They practically ask no questions as to the object for

which a loan is sought, or as to the standing of the borrower ; what they look to is the security, of which they allow almost any form—mortgages, pledges, sureties, bills ; and provided the security is acceptable they are willing to grant credit to any amount which appears safe. It is a principle to which followers of Schulze tenaciously adhere that all loans must be for *short* dates ; three months is the ordinary term, with one renewal permitted but not favored. The rate of interest at the outset was 12 to 14%, and is now 8%. As the borrower was willing to pay, Schulze argued that no wrong was done in taking from him fairly high interest.

The Schulze system recognises practically no districts. The bank sets up its counter in a convenient centre, and invites all who live within accessible distance to come and join it. Hence the Schulze associations have grown comparatively large, and represent far more substantial numbers than do their rivals.

Two other features of the Schulze system remain to be noted, and particularly noted, viz., that the officers are remunerated not only by salary, but also by a commission on the business done, the latter practice, in connection with a business like banking—it is scarcely necessary to remark—a vicious one ; and that the surplus earnings are distributed as dividends to shareholders, the dividend in many cases reaching a high percentage.

Such are the main characteristics of the Schulze system of "Credit Associations." They have admittedly been a source of incalculable benefit to the country, but consideration of the basis upon which they have been formed will render clear to what an extent the success of each individual organization must be dependent upon the capability of the officers upon whom the management of its affairs devolves. And so we are quite prepared to learn that out of 1,000 or 1,100 associations belonging to the Schulze Union proper, there were between 1875 and 1886 no less than 36 associations declared bankrupt and 174 placed in liquidation, some of the failures being serious and far-reaching in their effects.

Had we not before us the history of the Schulze "Credit Associations," founded as they were, at the same time, with the

same object in view, and conducting business practically side by side with the Raiffeisen "Loan Banks," we should be inclined to believe that the extraordinary success of the latter must necessarily be due entirely to the character of the race in whose midst they are planted, rather than to the principles upon which the banks are organized. Such unbroken success as they have enjoyed would be remarkable were they conducted on the most approved lines of modern joint-stock banking ; it becomes to us extraordinary when consideration is had of the circumstances of their borrowers and the basis upon which their loans are made, for *their chief function is to lend money to the industrious poor on the security alone of their personal character.*

The account of the first beginnings and the growth of the Raiffeisen banks as given by Mr. Wolff, is extremely interesting :

"It was in the position of burgomaster of Flammersfeld "in the Westerwald, that Raiffeisen had the crushing troubles of "the poor peasant cultivators brought vividly before his eyes in "the famine years of 1846 and 1847. It was a poor country to "begin with, with barren soil, scanty means of communication, "bleak surroundings, indifferent markets. Nature had proved a "very stepmother to this inhospitable bit of territory upon which "the half-starved population—ill-clad, ill-housed, ill-fed, ill- "brought up—by hard labor eked out barely enough to keep "body and soul together with the support of the scanty produce "of their little patches of rye, of buckwheat, or potatoes, and "the milk and flesh of half-famished cattle, for the most part "ruinously pledged to the Jews. That reference indicates a peculiarly sore point in the rural economy of western and southern "Germany, which led Raiffeisen to become an economic reformer. In this country (England) we have no idea of the pest "of remorseless usury which has fastened like a vampire upon "the rural population of those parts. Even the gombeen-man "cannot compare with these hardened blood suckers. The poor "peasantry have long lain helpless in their grasp, suffering in "mute despair the process of gradual exinanition . . . . The "consequence [of the outlawry everywhere proclaimed against "the obnoxious nation before 1848] was that all the poorer Jews "flocked out into the villages, where, being practically debarred "from taking up other callings, they fell back with all the peculiar

"aptitude and ingenuity of their race upon the smaller trade—  
 "the trade in cattle, goods, corn, money, whatever it was—of  
 "which in many places they secured an absolute monopoly.  
 "Whole volumes have been written on the subject in Germany,  
 "after careful enquiry, by men with practical experience, quoting  
 "chapter and verse, and painting all the hideous horrors of the  
 "system in ghastly detail."

Herr Raiffeisen was so touched at the sight of such misery that when, in 1848, he was removed to a larger but equally distressed district, also in the Westerwald, he resolved to take up the cudgels for the oppressed peasants and declare war against the plague of usury. Establishing first a co-operative bakery, and then a co-operative cattle purchasing association, in 1849 he set up his first Loan Bank, and offered to supply the peasantry who would subscribe to his rules, with money for their needs.

His system at first sped very slowly. It was five years before a second bank was formed, of which Raiffeisen was also the founder, on his removal to the district of Heddesdorf. Not till 1862 was a third established; not till 1868 a fourth. Not till 1874 did the Loan Banks become widely known, and not till 1880 did they begin to multiply perceptibly, from which date forward, however, they spread with astonishing rapidity. By 1885 their number had grown, in Germany alone, to 245, by 1888 to 423, by 1889 to 610, and by 1891 to 885. Wherever they went they succeeded. They are now encouraged and asked for by governments and provincial Diets; "priests and ministers pronounce blessings upon them, and the peasantry love them." There are now more than 1,000 Raiffeisen banks in Germany alone. Including the banks which have seceded from the "Union" on subordinate points, there are said to be about twice that number. "Dr. Schenck in his last annual report, candidly owns that the "largest increase recorded in the returns belongs to them. Both "their spread and their reputation seem deserved, especially since "after forty-three years' experience, they can make it their boast "that by them *neither member nor creditor has ever lost a penny.*"

The Schulze associations were primarily for the benefit of townfolk not of the poorest class. They could not benefit the very poor, nor yet the agriculturists, for whom long credit is absolutely indispensable. These, however, were just the classes



that Herr Raiffeisen sought to benefit. He early concluded that he must exact nothing from members joining, and that long credit must be the rule; calling upon a poor man, joining in order to borrow, to pay down money, to his mind appeared to be mockery. "His very reasonable principle was this: to "make a loan at all serviceable to a poor or embarrassed man, it "must be made to repay itself; to tax other resources for repayment would be, not to help, but to cripple the borrower." According to whether the money was wanted for seed or feeding stuffs, to improve a herd of live stock, to sink a well, build a barn or drain a field, credit must be given for a year, for two years, for five or even ten.

Each Raiffeisen association is confined to a carefully defined district—a parish by preference. Within these territorial limits members are elected, on application, with great care and discrimination, the object being not to secure a large roll but to rigidly exclude everyone who is not really eligible from the standpoint of personal character. A committee of five is charged with the executive work, and a council of supervision—consisting of from six to nine members—checks the work of the committee and overhauls everything done at least once a month; the members of neither body are allowed to draw a farthing of remuneration, and the only paid officer is the secretary, who has no voice in the employment of the money of the association. Their theory on this point is that where an officer in authority is not pecuniarily rewarded there can be no temptation to abuse his power, or to take undue risks, for the sake of either keeping himself in office or gaining business for the association.

In the earlier years both the Schulze and Raiffeisen associations met with a very trying opposition on the part of a Government ill-disposed towards institutions of so democratic a form. One of the arbitrary rulings of Prince Bismarck, while Chancellor, was that there must be shares and dividends. The Raiffeisen banks, however, met this dictation by making their shares as small as possible, generally ten or twelve marks, payable by instalments; and by the members once for all voting their dividend away to the reserve funds. "All through it is one "of the essential features of the organization, that individuals

"are to derive no benefit except the privilege of borrowing, and  
 "every farthing which is left over out of transactions is rigor-  
 "ously claimed for the reserve."

Having set up banks to lend to poor men, Herr Raiffeisen recognized that he must be content with such security as poor men can give. Mortgages he would not have, because they were an inconvenient security; bills of exchange he refused on other grounds; realty, consols, etc., he could not look for from the poor. Therefore he must accept the security to be found in the *character* of the borrowers and their sureties, and in the safeguard afforded by the use to which loans are to be put. One or two sureties are required for each advance made.

"Loan association though the association is, for safety's  
 "sake it deliberately makes borrowing, not easy, but difficult.  
 "Indeed the whole machinery is so framed as to *check* borrowing  
 "rather than encourage it. Money is, indeed, to be found for  
 "everyone who needs it, whatever be the sum; but in every in-  
 "stance he must first make out his case, and prove alike that he  
 "is trustworthy and that his enterprise is economically justified.  
 "There is nothing which the associations more determinedly  
 "set their faces against than mere improvident borrowing, stop-  
 "ping up one hole by making another. And once the money is  
 "granted, to the specific object for which it was asked must it  
 "be conscientiously applied. It is just for the purpose of en-  
 "forcing this that the smallness of the districts adopted by  
 "Herr Raiffeisen is found particularly useful. . . . A man  
 "could not misapply his loan money without his neighbors being  
 "made aware of it. And once every three months the council  
 "of supervision meet for the special object of reviewing the  
 "position of debtors and their sureties, and considering the  
 "employment given to the loan money. Should a surety be  
 "found to have seriously deteriorated in solvency or in trust-  
 "worthiness, a better surety is at once called for in the interests  
 "of the association. And should that demand not be complied  
 "with, or should the debtor be found to have misapplied the  
 "money, under a special clause . . . the loan is at once  
 "called in at four weeks' notice. . . . In another respect the  
 "banks are—wisely—inexorable. Alike, interest and principal,  
 "they insist, must be paid in to the very day . . . and on

"any point rather will the association give way than on that of prompt and punctual payment."

The Raiffeisen banks are essentially a social institution, and at bottom this is the secret of their success. The existence of unlimited liability on the part of members promotes among them a zealous and active interest in their local association—a distinctive striking feature of the Raiffeisen Loan Banks. The liability incurred on behalf of each other brings home to each member a sense of duty in the direction of watching the interests of the association, and creates a lively interest on the part of them all in the habits and character of those to whom their common funds are loaned. The discipline is made complete by the value set upon thrift and honesty, as the basis of credit. The knowledge that membership is altogether dependent upon perseverance in such virtues has, it is said, an astonishing effect in strengthening the character of the people in whose midst the associations are placed; the idle fast become industrious, and the spendthrift forsakes his extravagance. As to its effect in inculcating high moral principles, we have the confession of a Rhenish parson before a Royal Commission in 1874 that the Raiffeisen bank in his parish had done far more to raise the moral tone of his parishioners than all his ministrations, and the deposition of the presiding judge of the Court at Neuwied, that litigation has materially diminished in his district owing to the principles instilled by the local Raiffeisen Loan Bank. The expectation would naturally follow from all this that the economic development of districts possessed of these agencies would be highly satisfactory. To what extent this is the case the following extract from Mr. Wolff will serve to show:

"To me a particularly interesting case is that of the village of Mulheim on the Rhine, not very far from Coblenz. . . . The best among the population, some two hundred and fifty persons, have joined the bank. Though the soil around is rich and well watered, the place is said to have been some time ago rather neglected and not a little pestered with Jews. The latter have quite disappeared. . . . What Prince Bismarck's 'blood and iron' could not accomplish, co-operative gold has managed with ease. Whole battalions of these greedy gentry

"have been put to rout, and driven discomfited from the field. . . . The old wattle and post-and-pane houses, with their rickety timbering and ramshackle roofs, have disappeared and given place to neat and substantial stone buildings. There is an unmistakable look of plenty, of order, of neighborliness observable everywhere. . . . The gardens are tidily kept, the fields and orchards look throughout *bien soignés*, and every-thing appears prosperous and flourishing."

When we examine the method upon which the business of these associations is conducted, and learn of the work they accomplish as moral reformers, we cease to marvel at the success they have achieved as financial institutions, a success the measure of which is seen in the fact already quoted, that in the forty-three years during which they have been in operation no member or creditor has lost one penny.

That this success has been due to the principles upon which the associations are organized, and not to characteristics peculiar to the German people, is conclusively shown by the fact that the same amazing success has attended the operations of the Italian *Banche Popolari*, which were founded in imitation of the German people's banks, upon lines substantially the same as those of the Raiffeisen Loan Banks; and further, that all attempts at co-operative credit-banking upon lines essentially different from those upon which the Raiffeisen banks are founded, have resulted in failure. In the latter respect the experience of France is instructive. France has contributed more than any other nation to the literature of the subject of co-operation, has expended more money and ingenuity on experiments to create co-operative institutions, and her record in respect of practical application is, notwithstanding, little more than a blank.

B.

## NOTES AND MEMORANDA

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EVENTS in the United States appear to be at length so shaping as to give promise that the silver question will shortly be brought to an issue.

At the recent Republican convention at St. Louis the "sound money" plank was adopted by a vote in the proportion of 8 for to 1 against. Doubtless before the present number of the JOURNAL issues from the press the Democratic convention assembling at Chicago will have declared the policy of that party upon the money question. Should it decide to go into the November contest under the banner of silver—as now seems not improbable—we have the expressed opinion of Senator W. C. Whitney, perhaps the most distinguished of the Democratic leaders, that the Democratic party will be so wrecked that it may not hope to get into power again in twenty years. On the other hand, should the silver contingent fail to carry the convention, it is expected that they will withdraw from the party and nominate a candidate of their own. In either event, it is almost impossible to believe, in view of the present temper of the people and of the pronounced stand of the Republicans as the party of sound money, that the Republicans can fail to gain a sweeping victory, in which case the stability of the currency should be assured for some years at least.

Nevertheless, in spite of this outlook, the aggressive attitude of the silver men, and the strength which they have shown in the councils of the Democratic party, have been sufficient to cause a feeling of considerable nervousness in the stock markets, the extent of which is best indicated by the recent reaction in the price of Government bonds, after the rise which ensued upon the declaration issued from the St. Louis convention.

ACCORDING to a correspondent of the *St. James Gazette*, one of the results of the judgment in *Langtry v. Union Bank*,<sup>1</sup> is that the English banks are notifying customers seeking to lodge valuables for safe-keeping, that they will not be re-delivered under any circumstances upon a written order, but that the owners must call for their property in person. The natural consequence of this rule will be that the banks will not in future be so frequently called upon to assume a duty which is unremunerative and at the same time involves an extensive and uncertain liability.

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WE have pleasure in presenting our readers in this issue, which concludes Volume III of the *JOURNAL*, with an important contribution from the pen of George F. Shepley, Q.C., on "The Powers of Directors." A careful perusal of the article is calculated to render clear what precautions are necessary on the part of bankers in dealing with joint-stock companies, either in the way of making advances to them, or in negotiating bills of exchange issued by, or the title to which comes through, them.

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THE Editing Committee expect to furnish readers of the *JOURNAL*, in a later issue, with a sketch of the career of the late E. H. King, formerly General Manager of the Bank of Montreal, whose death at Monte Carlo was recently announced. Its appearance in the present number would have been most appropriate, but in view of the fact that his is a most striking figure—perhaps none more so—in the history of Canadian banking, the Committee have thought it well to take the time necessary to complete arrangements for the preparation of such a sketch as will do justice to the subject.

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WE have received from Mr. C. L. Benedict, of the Bank of Montreal, Amherst, N.S., a copy of his "Lightning Day Indicator." The Indicator is a card about 12 x 6 inches, containing

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<sup>1</sup> See p. 196, Vol. III *JOURNAL*.

a table of figures and other data so arranged that it is possible at a glance to ascertain—with the one mental effort involved in subtracting one number from another—the number of days from any given date to any other date. The card is scarcely intended to supplant the date book in use in the discount departments of banks in the large centres, but it will no doubt be found a valuable aid in offices where the daily transactions are not sufficiently voluminous to render the more expensive book indispensable.

## REVIEWS

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The Editing Committee desire it to be understood that the "Reviews" appearing from time to time, even when not over a signature, are contributed, and are not in the nature of Editorial opinion.

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"*The History of Currency.*" W. A. SHAW, M.A.

"THE purpose of this book," we are told, "is two-fold, —first and foremost to illustrate a question of principle by the aid of historic test and application ; secondly, to furnish for the use of historical students an elementary handbook of the currencies of the more important European States from the thirteenth century downwards."

Starting with the revival of gold coinage in Christian Europe, Mr. Shaw divides the history of metallic money (with which alone the book deals) into three periods. The first lasts until the discovery of America. The second extends from 1493 until 1660, whilst the history of the third period is brought down to 1894.

The first modern instance of the minting of gold on a commercial scale among the western nations is placed in Florence in 1252. This, however, is hardly accurate.\* There appear to have been gold coinages in Spain, Portugal and Naples as early as 1225, whilst Mr. Shaw himself refers to a passage in De Saulcy, where florins d'or are mentioned from 1180 on.

Then, too, it is hardly correct to say that for all practical purposes gold had gone out of use since the seventh century, although "the presence of gold bezants can be traced here and there at isolated points and dates." The gold coins struck at Constantinople appear to have circulated freely throughout nearly all Europe during the middle ages, and the exchequer rolls show that payments in gold bezants were quite common in England.

This, however, is not a very important point, and we may turn at once to the account of the gradual evolution of our modern monetary systems. Accustomed, as we are, to the smooth and easy working of our monetary machinery, we can hardly grasp the

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\*Mr. Shaw states that it is open to serious doubt.



extent of the misery caused by the rude and imperfect systems of earlier times. Mediæval legislators really had no systems at all. They found gold and silver equally circulating as money, and their one aim was to so adjust the legal ratio that they might be enabled not only to retain their own stock of coin and bullion, but to abstract more from their neighbors.

The ratio was continually being changed, and was hardly ever the same in any two countries at any one time. For instance, the course of the ratio in France during ten years was

1303 .....	10.26
1305 .....	15.90
1308 .....	14.46
1310 .....	15.64
1311 .....	19.55
1313 .....	14.37

The great variety of ratios prevailing in different countries at the same time afforded ample scope for extensive arbitrage operations, carried on sometimes by Italians, but chiefly by the Jews—operations which sometimes almost stripped a country of its coinage, and which in large measure account for the universal detestation in which the Jews were held. And at the same time a constant depreciation and debasement of the coinage went on, which naturally added to the confusion, which was also intensified by a natural scarcity of the precious metals, due to stationary production in the face of a considerable commercial expansion. But the discovery of America opened up a new era, and “proved the monetary salvation and resurrection of the Old World.” Through Spain, then mistress of the New World, gold and silver were poured into the channels of European commerce, and the impetus thus given to trade and manufactures places this period on a distinctly higher level than the previous one.

The Netherlands and England were probably the chief gainers. Antwerp took the place of Florence and Naples as the centre of European exchange, and Holland was for no inconsiderable period enabled to hold her own as a colonial and maritime power with the great nations of Europe. Whilst in England, “on this increased basis of currency was built that commercial and national, yea, even literary growth and expansion, which have made the Elizabethan age the glory of our history.”

But once the first flush of progress was over, bimetallic evils once again made themselves felt, with the usual disastrous effects. In Germany, which appears to have profited very little by the inflow of American treasure, the whole period was taken up with fruitless struggles against adverse ratios, until by 1621 there may be said to have been universal commercial ruin.

In England things became almost as bad. With the accession of James I serious troubles began, which continued throughout his reign. In spite of all efforts to the contrary, the country was drained of its coinage. Time after time the ratio was changed, coins were raised in denomination, and the laws against exporting bullion were strictly enforced, but all in vain. The crisis of 1622 was one the like of which has not since been seen, and the disasters and disturbances which it produced appear to have been an appreciable factor in bringing about the revolution in the next reign.

"With the close of the seventeenth century the advantage of the process of altering the denomination of the coinage, of diminishing the contents and reducing the standard of fineness, began to be impugned on theoretic grounds, and in the course of the eighteenth century that process itself fell into disuse. . . a matter of almost incalculable significance in the history of the European monetary system. . . The ceasing of the artificial arbitrary mint rates made way for a naturally determined or *commercial* ratio, and the regulation of the international flow of the precious metals was left to the oscillation of trade balances, and to the action of interest rates and discount."

Out of the old mercantile theory or system of coinage sprang the two modern systems: the monometallic, in which a single metal was made the legal tender, and the bimetallic, in which both metals were equally legal tender at a fixed ratio.

"Modern currency history hinges on the antagonism of these two systems."

In view of the late revival of the bimetallic agitation French monetary history during this period is particularly interesting.

Mr. Shaw conclusively establishes two important facts. One is that no new system was inaugurated in 1803, as is so

often assumed. "The system of Republican France, as established by this law (of 1803) was no more and no less bimetallic than in 1785, than in 1610, or than in the days of Francis I. Theories as such did not occupy the mind of the legislator, and of any conception of a bimetallic system or theory such as we have learned to know, there is no trace."

The other fact is that the legal ratio did not control the market value up to 1873. With the aid of an elaborate diagram, the course of the commercial value is made abundantly clear, whilst tables of the coinage and the bullion movements from 1803 to 1875 show the ebb and flow of the two metals as their respective value changed.

And extracts from official documents prove that it was never expected in France that the ratio of 1803 would be permanent, and that for several years previous to the suspension of free coinage of silver the government had foreseen the necessity of it, and had advised as to the best method of reformation.

The verdict of history on bimetalism is, says Mr. Shaw, clear and crushing and final. "The modern theory of bimetalism is almost the only instance in history of a theory growing not out of practice, but of the failure of practice; resting not on data verified but on data falsified and censure-marked."

The monometallic plan, as exemplified in England, he regards as the best type of monetary system that we have yet seen.

Enough has been said to give an idea of the general argument of the book. Its style is not particularly good; the phraseology is sometimes needlessly technical, and occasionally involved and obscure. But even so, it is very interesting reading. It will be especially useful to the student of monetary history, who will find here, amongst other invaluable information, the coinage statistics and complete lists of the coins of the more important countries, with weights, fineness and comparative values; mint and commercial ratios of the precious metals, with statistics of their production, etc., etc.

An occasional minor error is to be found.

Thus on page 251, in the quotation from Alex. Hamilton's Mint Report, he is made to speak of "the newest dollar of 374 grains." The words "of 374 grains" are not in the original,

which does not at that place give the weight of the dollar referred to. It was, however, about 368 grains. And on page 264, the summary of the 1st section of the Sherman Act is not quite accurate.

But one or two trifling errors cannot detract from the value of the book, which is a perfect mine of information on all questions relating to modern metallic money. An enormous amount of labor must have been expended in gathering, compiling and verifying all this, and the result is a volume which promises for a long time to come to be the ultimate authority on the coinage of the modern world. May we not hope that Mr. Shaw may some day take up in a similar spirit the history of paper money?

F. G. JEMMETT

*Computation.* By EDWARD M. LANGLEY, M.A. London and New York; Longmans, Green & Co.

THIS is by the contributor of the article "Short Methods of Computation," in the present number of the JOURNAL—indeed the matter contained in the article is entirely embraced in the first section of the above work. The book has three other sections: Section II shows how to abbreviate the processes employed to obtain approximate results, and to estimate the amount of error to which these are liable; it also draws attention to the essentially approximate nature of all physical calculations, and to the consideration, sometimes neglected, that to whatever degree of accuracy the arithmetical operations are carried out, there cannot be a higher degree of accuracy in the results obtained than in the numerical data on which those calculations are founded. Section III deals with logarithms; specimens of various trigonometrical tables are given and their uses explained. Section IV illustrates the principles previously explained by applying these to such calculations as actually occur in the office or the laboratory.

As bearing on the value of the work it may be mentioned that the author is senior mathematical master of the Modern School, Bedford, joint editor of the *Harper Euclid*, and editor of the *Mathematical Gazette*.

## CORRESPONDENCE

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MR. KNIGHT AND THE NOVA SCOTIANS

*To the Editing Committee :*

DEAR SIRS,—In the April number of the JOURNAL you published an excellent article by Mr. Massey Morris upon the land mortgage companies of Canada. At page 241, Mr. Morris quotes the following sentence from a letter written by me in reply to some questions asked by you about this province in connection with mortgage companies :

*" The Nova Scotian knows more than a little about many things, and thinks he knows everything."*

When you applied to me for some information about the loan and mortgage companies operating in the province of Nova Scotia, I did not expect you to permit the culling of one sentence from my reply which, stripped of its context and apparently having no bearing upon the subject of Mr. Morris' article, is calculated to make my adopted countrymen misjudge my meaning. Surely you know that it is quite possible to extract a few words, a sentence, or a paragraph from almost any letter, and produce therewith an erroneous and unfavorable opinion of the writer.

I desire to promptly correct my good friend Mr. Morris' idea of what I intended to convey by the quotation from my letter to you.

*To think he knows everything* is far from being a prominent characteristic of the Nova Scotian. On the contrary, I have frequently been highly amused at the surprise evinced by some newly arrived Englishman in Halifax when he, believing in the greatness and glory of Britain and the pre-eminence of her sons in everything, and also deceived by the modesty of the Nova Scotian, discovers that the colonist is, as a rule (even if less thorough in some one particular pursuit, either of business or recreation,) a better *all-round* man than his English brother. Perhaps it is this very quality of *all-roundness* which makes the

colonist appear to an Englishman to "know more than a little about many things."

During the campaign in the North-west (Riel Rebellion) an officer of the Imperial forces attached to General Middleton's staff expressed this opinion of our volunteers: "For all-round usefulness and general knowledge, the Canadians are indeed a remarkable lot."

I humbly submit that you cannot find in my letter to you anything to warrant the publication of the naked sentence in question, unless you also gave your readers its context. The Nova Scotian is not conceited. On the contrary, he is singularly unassuming, and he seldom arrogates to himself the possession of a vast store of knowledge. To his retiring disposition and air of almost ostentatious simplicity, I attribute his proverbial success in getting ahead of other Canadians.

If consulted before the publication of Mr. Morris' article, I would have politely declined to permit the insertion therein of a quotation from my letter which long residence in Nova Scotia cannot excuse or justify.

In answer to one of your questions, I replied, "I don't know that Nova Scotian farmers are *more well-to-do than those in Ontario.*"

But, in my letter, I illustrated what seemed to me to be the reason for the Nova Scotian farmer's apparent dislike to being considered well-to-do: "The Bluenose prefers to be known as crushed beneath the weight of a mortgage rather than as the holder of deposit receipts of a bank, and he will pay five per cent. interest on the former against the smaller interest received on the latter. Perhaps he thinks that the difference in the rate of interest paid and received is a small price to pay for the freedom he enjoys against the incursions of any borrowing neighbors or needy relatives who might reasonably ask assistance from a man whose farm was known to be free from encumbrance." I am quoting from memory of my first epistle upon this subject.

If Mr. Morris had published these extracts from my letter in conjunction with the sentence he prints between inverted commas, the latter would not have looked like the flippant and ill considered utterance of some thoughtless tourist.

Fortunately, my fellow-bankers in Halifax know of my strong liking for the Province of Nova Scotia and its people, and will not accuse me of trying to be smart and Max O'Rellish at the expense of my wife's relations in the land of Evangeline. The people of Ontario may, as Mr. Morris claims, be "restless and enterprising." But if any Ontario banker among your readers should infer from this that because Nova Scotians fight shy of over-indulgence in land mortgage companies, they "live within themselves," and know nothing of the outside world and the advantages of cheap money, he (the Ontario banker) cannot be acquainted with the character of the men who live down here within sight, smell and sound of the Atlantic Ocean.

Nova Scotia has been the birth place of a number of men destined to live in the pages of Canadian history. The matchless eloquence of Joseph Howe, the remarkably brilliant although sadly brief career of good Sir John Thompson, the wit and wisdom of Judge Haliburton, are calculated to make one think that Nova Scotians are the salt of the Dominion of Canada, and it troubles me to find that Mr. Morris has innocently gathered from my letter to you anent mortgage companies a wrong impression of my opinion of this Province and its inhabitants.

To say of a Nova Scotian "he thinks he knows everything" is not very offensive. But people are so prone to misunderstand printed remarks about themselves. Let a story illustrate the danger of being funny. Upon the deck of an excursion steamer approaching a port in the southern seas, a stranger, commenting upon the coast line said, "*This is a low-lying country.*" The facetious captain of the steamer replied, "*Yes, and inhabited by a low lying people.*"

Some months later the stranger (a serious literary man) when publishing his impressions of the said country, named Captain — as his authority for the statement that the people of — were notoriously vulgar and unworthy of belief.

The captain in question was not made more miserable by the consequence of his ill-advised levity than I am at being quoted by Mr. Morris as the author of the remark printed at the head of this letter.

However, the use made by my friend, Mr. Morris, of an

ill-chosen sentence from my remarks upon loan and mortgage companies, has afforded me this opportunity for telling you the truth about Nova Scotians, and in this novel and pleasant exercise I find some solace for my previous annoyance.

Halifax, N.S., 27th May, 1896

JOHN KNIGHT

#### DRAFT FORMS

*To The Editing Committee :*

DEAR SIRs,—It would be a great boon to collection clerks if all banks would encourage a uniform draft. Some banks seem to try to make trouble, as the figures on some are on the right hand side, others on the left hand side, while it is like looking for a needle in a hay stack to find the date place on some drafts. Could we not have an "Act of Uniformity?" To illustrate this a collection should be made of drafts on the outside desks of Toronto banks.

J. L.

#### QUESTIONS ON POINTS OF PRACTICAL INTEREST

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the *JOURNAL* are appended, together with the answers of the Committee :

#### *Warehouse Receipts*

QUESTION 34.—Referring to pages 62 and 63, Vol. II, of the *JOURNAL*, Mr. Lash states: "The distinction between a debt and other liability is well known to the law. For instance, the



liability of a guarantor is not a debt, but should the guarantor supplement his guaranty by payment, a debt would then arise ; a bank therefore could not acquire or hold a warehouse receipt or bill of lading as collateral security for a liability which it might incur as the guarantor of a customer."

What is the position of a bank in the following case ? The London (Eng.) agent accepts a 60 days draft drawn by some firm there under a credit established by one of the Bank's branches in Canada. The branch gives up the draft and receives a warehouse receipt for the goods. Is the bank a guarantor, no payment having been made at the time of acquiring the warehouse receipt, and the acceptance in London not maturing for some time ?

ANSWER.—The question asked is one which it is very difficult to answer definitely. At one time, as stated in the article quoted from, banks were authorized to take the warehouse receipts as security for a liability incurred by the bank on behalf of the holder, etc. This provision was afterwards deliberately dropped, and there is nothing in the present Act which empowers banks to acquire bills of lading or warehouse receipts as security for outstanding drafts drawn under Letters of Credit on which they are liable, and a bank's right to hold the documents must depend upon considerations entirely apart from the warehouse receipt clauses of the Act.

The general clause (section 64) under which banks are authorized to engage in any business pertaining to banking might be regarded as giving them power to acquire security in connection with Letters of Credit, the issue of which is beyond question part of their recognized business, but the concluding part of the section prohibiting the lending of money directly or indirectly on the security of goods, except as provided in the Act, would seem to cut out such transactions from the powers covered by this section.

This question has been up for discussion many times, and the conclusion hitherto has usually been that the bank's rights, though not clear under the Act, are made reasonably certain by the circumstances which ordinarily prevail. The goods are shipped to the bank ; they have never become the property of the customer, and could not so become until he pays the relative draft (or rather the title would not pass), and no creditor could attach the goods while the title to them is in the bank. They may be regarded as still subject to the vendors' rights, and the bank represents the vendors, having procured the payment to them of the purchase money and taken over the goods.

This is not very satisfactory, and an effort is not unlikely to be made to amend the Act in this and certain other directions.

There is one point to which we might draw special attention. If the documents were handed to the customer and the goods warehoused in his name, the assignment of the warehouse receipt to the bank might not give it a good title. The best practice would be for the bills of lading to be handed to the railway or shipping company, with instructions to deliver the goods at some warehouse on behalf of the bank, thus keeping the bank's title intact throughout.

*Cheque Marked Payable only after a certain Date*

QUESTION 35.—Is it obligatory upon a bank to pay a cheque upon presentation, when upon face of same a proviso making it mature fifteen days after date appears? Could such cheque be looked upon as a demand item, and if refused by the bank upon which it is drawn, could it be legally protested? I am assuming that the cheque is presented for payment sometime between the date of same and date of maturity according to proviso.

ANSWER.—Such a cheque as described is in effect a bill of exchange, payable after a certain date, and it is not only not obligatory on the bank to pay it before maturity, but if it did so it would incur a serious risk. If, for instance, before its maturity the drawer were to stop payment, the bank would have no claim on the endorser, because the negotiation of a bill of exchange to the drawee kills remedies of that kind, and it would have no claim on the drawer, as he has a perfect right to countermand his order to pay before it has been acted upon. The bank might acquire any claim which, as between the drawer and payee, the latter might have had on the countermanded cheque, but this, as we said in our note on "Post dated cheques," p. 3, Volume II, would be a very doubtful and shadowy claim.

*Writs of Garnishment*

QUESTION 36.—A Division Court judgment is held against an individual employed as assessor by a municipal corporation at a salary of so much for each year's work. He is, however, in the habit of drawing the amount in instalments at irregular dates on application to his employers. Can the creditor do anything in the way of garnishing his salary?

ANSWER.—The creditor cannot, of course, garnish the salary which has been actually paid, nor can he garnish the salary not yet earned, as salary does not become a debt until earned. All he could do would be to garnish any arrears of salary earned and unpaid, and whether anything could be done in this direction in the case mentioned would depend altogether on the understanding between the corporation and the employee.

*Liabilities of Partners—Guarantee Bonds*

QUESTION 37.—A gives a bank a guarantee securing advances made to C. A afterwards enters into co-partnership with C under the style of C & Co. How does this affect the guarantee? Is A held for all advances to C previous to the partnership, and equally liable afterwards as a partner with C for the indebtedness of C & Co.? Is his connection as C's partner as equally binding for C & Co.'s debts as his guarantee would be? Does his guarantee carry some additional security after he becomes a partner?

ANSWER.—The formation of the partnership does not affect the guarantee. A continues to be liable as guarantor for C's indebtedness, and becomes liable as one of the principal debtors for the obligations of C & Co. He might also become liable on the same debt as a guarantor or endorser, and the effect of this would be that in the event of an assignment by the partners of their joint and separate estates, the bank would have certain ranking rights against A's personal estate, which might give it a very decided advantage over the creditors of C & Co. who had not A's separate liability.\* We would therefore certainly think it well, if he has considerable means outside of the partnership assets, to take his guarantee for the firm's debts; this is a very common precaution.

It should be remembered that the partnership estate of C

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\*Note by MR. LASH.—There is a very important difference between the rights of a creditor of a partnership who has recovered a judgment against the firm, when enforcing his execution upon that judgment, and the rights of a creditor holding a claim against the firm when ranking upon the estate in the hands of an assignee for creditors under the Ontario Act respecting Assignments.

A judgment obtained against several partners, or other persons sued jointly, makes each liable to the judgment creditor for the whole amount, and not for a proportionate part of the sum for which judgment has been obtained. The writ of execution founded on such a judgment must be against all, and not against some or one of them only; but, although the writ must be joint in form, the sheriff or other officer may levy under it upon the goods, etc., of all or of any one or more of the persons named in it. The consequence of this is that for a claim against the partnership the creditor may obtain payment out of the separate property of any one or more of the partners as well as out of their partnership property. The important point to observe is that the sheriff is not bound to levy on the goods of the firm before having recourse to the separate properties of its members, and that the defendants cannot require the sheriff to execute the writ in one way rather than in another.

It is generally supposed that, if a partnership owes debts and an individual partner owes debts, the claims shall rank first upon the estate by which the debts they represent were contracted, and shall rank only upon the other after all the creditors of that other have been paid in full. This, however, is not the case under judgments and executions. That rule is applicable only to cases where the partnership and separate estates are being adminis-

& Co. would not be liable for C's indebtedness to the bank, unless there was a novation—that is, unless they agreed with the bank to assume and pay the debt. The mere fact that there was such an understanding between themselves would not make the bank a creditor of C & Co. for advances to C, and under some circumstances this might be an important point.

### *Collections sent to Private Bankers*

QUESTION 38.—A current account customer brings in a note for collection, *made payable at a private banker's office* in a place where there is no chartered bank. He is told that the collection will only be forwarded to the private banker's at his own risk, and the following notice had been placed in his pass book when his account was opened, viz.:

All bills, notes and other securities left with the bank for collection will be collected at the risk and cost of the parties leaving them, the bank only holding itself responsible for the amount actually received by it, and not for any omission, informality or mistake occurring in collecting them.

When the note matures a partial payment is stated to have been made on the note to the private banker who fails to remit the money, and also fails financially, suspending payment the day after the payment was made.

(1) Can the customer bring suit against the bank and recover the amount paid on the note, but not remitted by the private banker?

tered in bankruptcy or insolvency, and under certain circumstances when the administration is being proceeded with under an order of the Court. Bankruptcy and insolvency laws usually contain a provision upon the subject. Section 5 of the Ontario Act relating to Assignments by Insolvent Persons, is as follows:—"If any assignor or assignors executing an assignment under this Act for the general benefit of his or their creditors owes or owe debts, both individually and as a member of a co-partnership, or as a member of two different co-partnerships, the claims shall rank first upon the estate by which the debts they represent were contracted, and shall only rank upon the other after all the creditors of that other have been paid in full."

It will be seen from the above that a creditor holding a claim against a partnership cannot, under an assignment for the benefit of creditors made by the partners, covering both the partnership and individual estates, rank upon an individual estate until the individual creditors have been paid in full; whereas the same creditor obtaining a judgment and execution against the partners may levy upon the individual estates of the partners, notwithstanding that there are individual creditors.

It is, therefore, sometimes of great advantage to a creditor of the partnership to obtain for his debt the individual liability of one or more members of the firm, for in case of an assignment, he could not only rank upon the partnership estate, but also upon the estate of the individual partner whose liability he had secured. The provisions of the Act respecting the valuation of securities would, of course, have to be observed—for instance, if the creditor had the note of the firm endorsed by one partner he would, in proving against the partner's estate, have to place a value upon the liability of the firm.

(2) Would not the customer have a chance to recover the amount from the maker of the note? In making the note payable at this private banker's office, did he by so doing appoint him the collecting agent?

The note was returned to the customer, and of course no charge was made by the bank.

ANSWER.—(1) If the understanding with the customer was clearly that stated, then he must be taken to have authorized the employment of the private banker as his agent to make the collection, and must bear any loss that may result therefrom. On proof of the conditions upon which the collection was received the customer's suit against the bank must fail.

(2) The customer has no remedy against the maker of the note. Having authorized the employment of the private banker to collect the note, anything paid the latter by the maker is in effect payment to the customer.

The fact that the note was made payable at the private banker's office is immaterial. The liability is placed upon the customer by the parole agreement, etc., at the time the note was handed in.

We might add that the law is quite clear that where a bank selects a collecting agent of its own accord, without asking the customer for instructions, or putting on him the risks involved, it is responsible for the agent's acts.

Where a customer discounts with a bank bills which can only be collected by sending them to a private banker, it might seem reasonable that, as the sending of them to such agent is a course forced upon the bank by its customer's manner of doing business, he should be responsible, but the law is clearly otherwise, and most banks, we think, now take the precaution of requiring customers who discount or lodge for collection bills payable at such points, to give a letter of indemnity on the lines suggested by the notice clipped from the pass book.

### *Transfer of Stocks held in Trust*

QUESTION 39.—In Mr. MacLaren's work on banking, just published, in commenting on section 43 of the Bank Act, he says: "The person who stands in the books of the bank as the registered owner of shares, has the right to deal with them and transfer them. If, however, he holds them in trust, to the knowledge of the directors or officers of the bank, and is about to commit a breach of trust they should notify the *cestui que trust* in order that he may take steps to prevent it by injunction, or otherwise."

In this connection I should like to ask the Editing Committee of the JOURNAL the following:

(1) Would the bank have the right to absolutely refuse to transfer pending action by the *cestui que trust*?

(2) If the *cestui que trust* were a minor, or a person not having exercise of his rights, or if the bank had no knowledge of his whereabouts, would they have the right to refuse to transfer?

ANSWER.—We think that Mr. MacLaren's statement above quoted is too wide if, in saying that the bank should notify the *cestui que trust*, it is meant that it is the bank's duty to do so. Probably all Mr. MacLaren meant was that it would be a prudent or proper thing for the bank to do; not that it was under any legal obligation to do so.

Section 43 of the Bank Act declares that "the bank shall not be bound to see to the execution of any trust, whether express, implied or constructive, to which any share of its stock is subject." In commenting upon the same words in the charter of the Molsons Bank, the Privy Council, in the case of *Simpson v. Molsons Bank*\*, reported in L.R., App. C. 1895, p. 270, say: "This language is general and comprehensive. It cannot be construed as referring to trusts of which the bank had not notice, for it would require no legislative provision to save the bank from responsibility for not seeing to the execution of a trust, the existence of which had not in some way been brought to their knowledge. The provision seems to be directly applicable to trusts, of which the bank had knowledge or notice, and in regard to these the bank, it is declared, are not to be bound to see to their execution."

We do not see how it could be held, in the face of the express provision that the bank shall not be bound to see to the execution of any trust, and in the face of the decision of the Privy Council, that this provision is directly applicable to trusts of which the bank has knowledge, that the bank is bound to interfere with any transfer which the shareholder sees fit to make.

Dealing with the case apart from the provision of the statute, and this is the way in which Mr. MacLaren evidently has dealt with it, the Privy Council say: "It may be that notice to the bank of the existence of a trust affecting the shares would have cast upon them the duty of ascertaining what were the terms of the trust. . . . Assuming this point in favor of the appellants, their Lordships, however, see no reason to doubt that by the clause in question the bank are relieved of the duty of making enquiry, and that they cannot be held responsible for registering the transfer, unless it were shown that they were at the time possessed of actual knowledge which made it improper

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\* See p. 544, Vol. II, JOURNAL.

for them to do so, until at least they had taken care to give the beneficiaries an opportunity of protecting their rights." It will be observed that this is "apart from the provision of the statute."

Answering our correspondent's first question, we would point out that the statute, although relieving the bank from the obligation to see to the execution of any trust, does not deprive the bank of any right which as a corporation it would have with respect to the transfer of its shares, and if it possessed actual knowledge that the proposed transfer would be a breach of trust, it would, we think, have the right to refuse to allow the transfer to be made, until at all events the *cestui que trust* had an opportunity of protecting his rights, and this would be a prudent and proper thing to do; but, should it turn out that the bank's opinion as to the breach of trust was unfounded, it would have to take the consequences of refusing to allow the transfer.

With reference to the second question, we think that the bank's right to refuse the transfer would depend upon whether a breach of trust would be committed or not. The fact that the *cestui que trust* was a minor, etc., or that the bank had no knowledge of his whereabouts, would not affect the question one way or the other.

It is possible that, notwithstanding the statute, the bank might incur a liability if the circumstances connected with the transfer and the breach of trust were such as to warrant the Court in holding that the bank really and knowingly joined in committing the breach, but short of this we think it could not be made liable for permitting the transfer to be made.

*Security held by a Private Banker pertaining to Notes lodged as Collateral with a Chartered Bank*

QUESTION 40.—A private banker advanced a farmer money, taking notes which he pledged to a chartered bank. Later he took a deed of the farmer's land, giving a letter saying he would re-convey land on payment of a certain sum by a certain date.

The private banker claims that he is a trustee for the chartered bank, and that the bank can follow the land in his, the private banker's, name.

Could the bank follow the land, or would it be only an ordinary creditor against the private banker?

If the consideration stated in the deed was the payment of certain notes, would the chartered bank be a preferred creditor?

How could the private banker be made a preferred creditor?

No mention of the notes was made in the deed.

ANSWER.—The security which a private banker takes for notes discounted by him for his customer, on which notes he has obtained an advance from a chartered bank, would be held by him in trust for the bank, and the transfer of the security could probably be enforced by action at law.

The assignee in insolvency of the private banker (if there were one) could not realize on the security held, and regard the money as part of the general estate.

Whether or not the particular security enquired about attached to the notes held by the chartered bank, would be altogether a question of fact. If the chartered bank held all the paper given by the farmer, whose land had been given to the private banker as security, it would seem to be clear that the land was held to secure the bank.

The custom in some banks is to require a short memorandum to be attached to each note given to the bank as security by a private banker, for which he in turn holds security from the debtor, declaring that he holds such security in trust for the bank.



## LEGAL DECISIONS AFFECTING BANKERS

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### NOTES

*Closing a Customer's Account.*—We call the special attention of our readers to the case of *Buckingham v. London & Midland Bank*, of which we give a full report in this number. In this case it was held that a bank could not cancel a line of credit granted to a customer without reasonable notice, and the London & Midland was assessed in damages for having refused cheques drawn against funds deposited in an ordinary drawing account, the balance at credit of which had been transferred by the bank to cover an overdraft in a second account, without the consent of its customer. It is not the practice in Canada to open loan accounts as well as drawing accounts, but the transaction out of which the suit arose was in effect the same as would be the charging to a customer's account, without notice, of a sum due in respect of a demand loan. This is an operation which most bankers here would think quite permissible, but it is clear from this judgment that a customer might have a valid claim for damages, if such a course were adopted in a way that worked serious injustice to the customer.

The judgment has a very direct bearing on the practice in Canada of granting "season" credits to customers of various kinds, especially those engaged in milling or produce business. Perhaps it ought to be made a little clearer than it now is that such credits are only continued at the discretion of the bank; that undoubtedly is the practice, and the basis on which the banks grant such credits.

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In *Ellesmere Brewery Co. Ltd. v. Cooper et al.*, the danger of taking a guarantee bond without careful consideration of, and exact compliance with, its terms, is again shown.

*Payment of a bill advised in error by collecting agent.*—In the case of *Deutsche Bank v. Beriro*, judgment of the Court of Appeal has now been rendered affirming the decision of the Queen's Bench Division, reported on p. 125 of the present volume of the JOURNAL.

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The judgment of the Queen's Bench Division in *Molsons Bank v. Cooper*, published in the January issue of the JOURNAL, has been reversed by the Court of Appeal. A further appeal has been argued before the Supreme Court and stands for judgment.

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Since the publication of the report on *Bridgwater Cheese Co. v. Murphy*, also in our January number, the case has been carried through the Court of Appeal to the Supreme Court, resulting in a dismissal of the appeal in both Courts.

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#### HOUSE OF LORDS

Henry Smith and Co. vs. the Bedouin Steam Navigation Company, Ltd.\*

A bill of lading is *prima facie* evidence of the quantity of goods shipped, and throws upon the shipowner the onus of showing that the whole or any part of them were not, in fact, shipped.

This was an appeal from a decision of the Second Division of the Court of Session in Scotland reversing an interlocutor of the Lord Ordinary, and finding the defenders (the now appellants) liable to the pursuers (the now respondents) in the sum of £35 7s. 2d., less the sum of £3 3s. The facts of the case are as follows:—The appellants are jute manufacturers in Dundee. On October 6, 1893, they purchased from Messrs. Soutar M'Nicol & Co., of Dundee, 1,000 bales of jute bearing certain marks, and received from the sellers two bills of lading, each for 500 bales of jute, to arrive by the respondents' steamship *Emir*. The bills of lading were signed by the master of the ship, and were to the effect that the 1,000 bales of jute therein specified were shipped in good order and condition on board the vessel at Calcutta, and were to be delivered in like good order and condition at the port of Dundee to order

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\*From the fuller report in THE TIMES LAW REPORTS.

or assigns. The Emir arrived at Dundee on October 24, 1893, and proceeded to discharge her cargo, which consisted of upwards of 25,000 bales of jute. The appellants presented their bills of lading, but they only received 988 bales instead of the 1,000 mentioned in the bills of lading. The ship thus failed to deliver 12 of the bales contained in the bills of lading, and in settling the freight the appellants retained the value of these bales. The present action was then brought by the respondents, the shipowners, to recover the balance of freight which they alleged to be due to them. In answer to the appellants' claim of set off the respondents pleaded that in point of fact they had delivered to the appellants at Dundee the whole of the 1,000 bales contained in the bills of lading, and alternatively, that, if they had not delivered the whole of the 1,000 bales, the bills of lading were incorrect and that only 988 bales were put on board at Calcutta. The Lord Ordinary decided in favor of the appellants, but his judgment was reversed by the Second Division of the Court of Session, who, while finding that only 988 bales were delivered to the appellants at Dundee, sustained the respondents' contention that the bills of lading were incorrect and that only 988 bales were put on board at Calcutta. The evidence showed that the bales were brought alongside the Emir in boats from the mills in Calcutta where they were pressed. At the mills documents were made out called boat notes, specifying the number of bales in each boat. On the arrival at the ship the bales were hoisted on board in slings, four bales at a time. The bales being large objects, it was contended that no mistake could occur in counting them, and as they were slung up they were tallied by tallymen appointed by the ship. These tallies were compared with the boat notes by the first officer, who then signed the mate's receipts for the quantities, and it was from these mate's receipts that the bills of lading were made out, the whole operation being most carefully conducted. The evidence adduced by the respondents was directed to prove that when the ship arrived at Dundee the holds were found to be full, and they contended that this was a proof that no bales had been taken out of them after they were stowed. The appellants submitted, on the other hand, that this evidence did not negative the possibility that the missing bales

might have been made away with after they had been put on board the ship. The appellants now sought to have the decision of the Second Division set aside and that of the Lord Ordinary restored.

The Lord Chancellor said that the question in this case was one of pure fact. In such cases as these he objected to laying down any general rules, because each case must be determined according to its particular facts. It had been contended by the respondents that the bills of lading in question were merely *prima facie* evidence, and that such evidence might be displaced. *Prima facie* evidence, however, might be very weak or it might be very strong. Lord Wensleydale had said that when a man was seen cutting a tree in a field that was *prima facie* evidence that the man was the owner of the land; but, of course, such *prima facie* evidence of ownership might be easily displaced by showing that the man was acting under the orders of the real owner. In the present case, unless the *prima facie* evidence afforded by the bills of lading were displaced, due effect must be given to it. In his opinion, no evidence had been adduced which would justify their Lordships in disregarding that derived from those bills of lading. Mere conjecture as to how the goods had been lost would not be sufficient to invalidate the bills of lading. As the respondents had failed to give evidence in support of their contention that the bills of lading were incorrect, the decision of the Court of Session must be reversed and that of the Lord Ordinary restored. The respondents must pay the appellants their costs here and below.

Lord Watson said that the rule of law applicable to this case appeared to him to be settled beyond dispute. The master of a ship had no authority to grant bills of lading for goods which were not put on board his vessel, but when he signed a bill acknowledging the receipt of a specific quantity of goods the shipowner was bound to deliver the full amount specified unless he could show that the whole or any part of them were not shipped. If the shipowner was able to satisfy that onus by proving a short shipment, he was to that extent relieved from the obligation which would otherwise attach to him under the bill of lading. The question of shipment or non-shipment must be determined according to the evidence.

Lord Davey said that the bills of lading were *prima facie* evidence in favor of the appellants, and they threw upon the respondents the onus of displacing that evidence by showing that the full quantity of goods was not shipped. He concurred in the view of the Lord Chancellor.

Lord Shand concurred.

## PRIVY COUNCIL

## Ogilvie vs. The West Australian Mortgage and Agency Corporation, Ltd.\*

Where a bank cashed a forged cheque drawn on a customer's account and knowledge of the forgery came to the bank's manager before it was discovered by the customer, it was held that the bank was not entitled to be freed from obligation to make good the amount because of the customer's action in giving acquiescence to the manager's request that the matter should not be reported to the directors of the bank for a certain length of time, in order that the forger might have an opportunity to make restitution.

This was an appeal from an order of the Supreme Court of Western Australia of June 30, 1893, whereby certain findings of a jury and a judgment for £1,462 and costs obtained by the appellant at the trial of an action in May, 1893, before Mr. Justice Hensman, were set aside and judgment entered for the respondents.

The action was brought by the appellant, Mr. Andrew Jameson Ogilvie, a grazier and sheep farmer at Murchison River, against the respondents, who are bankers and financial agents at Perth, Western Australia, to recover £1,587 and interest, being moneys which he alleged they had improperly debited and charged to his account, they having irregularly paid certain forged cheques and orders purporting to bear his signature. The respondents denied these allegations and submitted that the appellant ought not to be allowed to dispute the validity of the cheques or his liability upon them, because if they were forged and debited to his account he had neglected to inform the respondents, and by his conduct and silence ratified the forgeries, and enabled the offender to abscond and escape from prosecution. To that the appellant replied that in all matters concerning the forgeries he acted for the benefit of the respondents and at the request of their duly authorized officer, for whose acts they were responsible. The action originally came for trial before Chief Justice Onslow, who non-suited the appellant on the grounds that he was estopped from denying that the signatures to the forged cheques were genuine, and that by his acts he had ratified what the forger had done, and consequently that there was no evidence to go to

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\*From the fuller report in THE TIMES LAW REPORTS.

the jury. The full Court set aside that non-suit, and the case was heard on its merits before Mr. Justice Hensman, with the result that the jury found a verdict for the appellant for \$1,462 and costs. That verdict was subsequently set aside, on appeal, by the Supreme Court—Mr. Justice Hensman dissenting—and judgment entered for the respondents.

The facts were singular. The appellant, who was up country, sheep farming, kept a banking account with the respondents at Perth. In May, 1891, on receiving his pass-book, he found that a large sum of money—over £1,400—had been wrongfully debited to his account. He saw Mr. Edmund Canning, an official of the bank, who, after inquiries, ascertained that the forger was Armstrong, a clerk in the office. The appellant at first wished to disclose the matter to the directors, but was earnestly entreated by Mr. Edmund Canning not to do so, and eventually agreed to say nothing about it for six weeks. Mr. Edmund Canning represented that by that time Armstrong, who was about to proceed to England, would send out the amount of his forgeries to the bank, and it would be placed to the appellant's credit. The appellant so acted, feeling sure of the security of his claim against the bank and with the desire to spare the feelings of Mr. Alfred Canning, the managing director, the father of Edmund Canning. It was not suggested that the appellant ever saw the forger or knew of the forgeries until he examined his pass book. In consequence of that arrangement, the forger left the colony for England, and did so openly, no one but young Canning and the appellant being aware of his delinquencies. He took with him, it was said, a considerable sum of money. At the end of the six weeks, the period for which the secret was to be kept, the appellant wrote a letter to the managing director on the subject, but that letter was said never to have reached him. Receiving no answer he telegraphed to Mr. Alfred Canning—"Did you receive a letter from me relative to my account last month? Have received no reply." To that a telegram was sent purporting to be signed by Mr. Alfred Canning, stating, "Yes, account now all right." Mr. Alfred Canning did not recollect receiving the telegram, but the son said that his father did receive it, but that he understood it—not having received the previous letter—as asking

whether he might draw on his account for more money, and that, assenting, his son sent the reply in his name. The appellant, on the other hand, interpreted the answer to mean that his account had been rectified by crediting him with the amount of the forged cheques, and being satisfied on that score he took no further steps. In the following December the appellant, who was at his sheep station, saw his pass book again and found that the forged cheques were still debited to him, and upon that he proceeded to Perth, where he saw Mr. Alfred Canning, and communicated the whole matter to him. Mr. Alfred Canning, up to then, alleged that he had been in ignorance of it. The directors of the bank were immediately informed, but they refused to admit any claim by the appellant, and the present action was brought, with the results indicated. From the judgment of the Supreme Court Mr. Ogilvie now appealed.

The appeal to the Supreme Court, it appears, was taken upon two grounds. In the first place, they alleged misdirection by the Judge, inasmuch as there was no evidence to go to the jury upon the 8th and the 9th of the questions submitted to them—namely, (8) whether, assuming that the plaintiff acted wrongfully towards the defendants or that there was negligence on the plaintiff's part, the defendants waived such wrongful conduct or negligence, and (9) whether the defendants ratified or adopted the action of Edmund Canning in permitting the forger to go to England. The jury had answered both in the affirmative. In the second place, they alleged that the answers of the jury on these and question 7, "Was the conduct or silence of the plaintiff the cause of damage to the defendants?" which last question they had answered in the negative, were against the weight of evidence and perverse. They stated no objection, whatever, either in law or fact, to any of the findings of the jury on the other six questions. The full Court (Mr. Justice Hensman dissenting) set aside the seventh, eighth, and ninth findings of the jury, and reversed the judgment entered by the presiding Judge, entering judgment for the bank and condemning the appellant in costs.

Lord Watson, in delivering their Lordships' judgment, pointed out that the Court was not empowered when and because it had set aside one or more findings which had been

made matter of objection, to disregard or negative other findings of the jury which had not been objected to. In this case the findings of the jury in answer to questions 8 and 9 related to issues of fact which were not involved in the first six questions. The answers returned to the latter appeared to their Lordships to exhaust the issues of fact upon which those two questions turned—(1) whether the cheques were forged by a bank clerk, and were therefore not chargeable to the appellant's account; and (2) whether, if they were forged, the appellant was by his own conduct estopped from asserting that fact, in a question with the bank. The findings in answer to the eighth and ninth questions related to an issue which did not arise unless the previous findings of the jury, which had not been challenged, were such as to raise an estoppel against the appellant. Reviewing the findings, their Lordships said the jury had found, in answer to question 4, that Canning, jun., was held out to the public by the bank as their accredited agent, and that he had knowledge of the forgeries before the appellant. Those findings had never been objected to, and were conclusive against the bank. Had Canning, jun.'s, statement to him been confined to the fact that the cheques had been forged by Armstrong, it was hardly conceivable that the appellant would have been under any duty to reconvey to the bank the information which he had received from their own agent. In that case the customer could not have been reasonably held responsible for a failure on the part of the bank's officer to impart his information to the bank, unless he had good cause to suspect that such a breach of duty was contemplated by the officer and assisted in its concealment. In their Lordships' opinion the only question which it was open to the bank to raise on the terms of the fourth finding of the jury was this—whether the request for silence which accompanied the information given to him by Canning, jun., with respect to the forgeries, was in itself sufficient to impose upon the appellant the duty of taking the unusual step of informing the directors of the course which their agent meant to pursue, professedly in the interest of the bank. If that request had been calculated to create in the mind of a person of ordinary intelligence a suspicion or belief that the agent meant to betray the bank's interests, their Lordships thought it would have been the duty of the appellant to lay the whole matter before the directors for their consideration. But any imputation of that kind was excluded by the finding of the jury that the appellant had acted honestly and with a view to what he believed to be the interest of the bank. The respondent's counsel were unable to refer to any rule of law which, in the absence of any suspicion or belief, imposed a duty upon the appellant to carry the information which he had



received to the directors of the bank, and it did not appear to their Lordships that any such duty was required of him by the rules of fair dealing between man and man. Their Lordships had accordingly come to the conclusion that on the first six findings of the jury, which stood unimpeached, the bank's defence of estoppel failed, and the appellant was entitled to the judgment which was entered for him by the learned Judge before whom the case was tried. Their Lordships would humbly advise her Majesty to reverse the judgment of the full Court, to restore the judgment entered for the appellant by the Judge who presided at the trial, and to order the respondents to pay to the appellant the costs incurred by him in the Courts below from and after the date of the judgment so restored, and also the appellant's costs of this appeal.

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COURT OF APPEAL, ENGLAND

Stagg, Mantle & Co. vs. Brodrick\*

A bill of exchange bore an endorsement to the effect that in case of non-payment by the acceptors the bill was to be presented to the defendant. This endorsement was signed by defendant.

*Held*, that he could not be sued as endorser, but was liable as a guarantor.

This was an application for a new trial of an action tried before Mr. Justice Grantham and a special jury. The action was brought on a bill of exchange for £288 6s., of which the plaintiffs were the drawers. The bill was dated London, April 5, 1892, and was addressed to the Globe Theatrical Syndicate, Johannesburg, and the defendant, Albert Brodrick. The bill was accepted on behalf of the syndicate by Joseph Lewis Goodman, their sole manager. The bill bore an endorsement to the effect that in case of non-payment by the Globe Theatrical Syndicate, the bill was to be presented to Mr. Brodrick. This endorsement was signed by the defendant. It appeared that the bill was given in payment of goods supplied by the plaintiffs to the syndicate, the invoices being made out to Goodman. The plaintiffs said that they would not have supplied the goods except on the understanding that the defendant was making himself liable for payment of the price. The bill was presented at Johannesburg, and was dishonored. The plaintiffs sued the defendant as the endorser of the bill of exchange, and, in the alternative, as a guarantor. The defendant

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\*From the fuller report in THE TIMES LAW REPORTS.

contended that he only made himself liable to the extent of moneys of the syndicate which he might have in his hands from time to time, and at the trial he gave evidence as to the circumstances under which he signed the endorsement. The jury returned a verdict for the plaintiffs, and the learned Judge gave judgment accordingly for the amount of the bill and interest. The defendant now asked for a new trial on the ground that, though the learned Judge had admitted evidence as to the circumstances of the signing of the document, he had practically told the jury that they ought to disregard that evidence. Parol evidence to show the conditions under which the defendant was to be liable was perfectly admissible.

The Court dismissed the application.

The Master of the Rolls said that the plaintiffs must forego their claim for interest, but that the verdict and judgment must stand for the sum of £288 6s. The endorsement which the defendant had signed was not a part of the bill of exchange, and therefore he could not be sued as endorser, but it was clear that he was liable as a guarantor.

Kay and A. L. Smith, L.JJ., also concurred.

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**Fontaine-Besson vs. Parr's Banking Company and Alliance Bank, Ltd.\***

The Court set aside an injunction restraining a bank from honoring drafts drawn under a letter of credit issued by it.

This was an appeal by the defendants from an order by Mr. Justice Lawrence at Chambers, granting an interim injunction restraining the defendants from honoring drafts drawn by Mrs. Fontaine-Besson against a letter of credit for £11,150. The action was by the plaintiff, a French subject, to recover a sum of £11,150 deposited with the defendants by his wife, the plaintiff alleging that his wife had stolen certain bonds belonging to him, which she had converted into this money. When the wife deposited the money with the defendants they gave her a letter of credit authorizing her to draw upon them up to the amount of £11,150. It appeared that the plaintiff was now prosecuting his wife for larceny. The wife was not a party to the action.

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*\*From the fuller report in THE TIMES LAW REPORTS.*

The Court allowed the appeal.

The Master of the Rolls said that the injunction had been inadvertently granted by the learned Judge. There was no authority or power to make this order. In the first place it might do irreparable injury to the bank, and in the second place it would be interfering between the bank and its customer without the customer being before the Court.

Lord Justice Kay concurred. Even if the plaintiff's wife were before the Court, the only order that could be made would be to restrain her from drawing drafts, and not to restrain the bank from honoring drafts already drawn. The injunction was altogether wrong.

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QUEENS' BENCH DIVISION, ENGLAND

Buckingham & Co. vs. The London and Midland Bank, Ltd\*

This was an action brought by a customer against his bankers to recover damages for a breach of duty in improperly closing his account, whereby he alleged he was injured in his business and credit.

The evidence of the plaintiff was to the following effect : He had been 17 years in business at the same address as a straw hat manufacturer. He had banked with defendants for 20 years. Twelve years ago he bought three leasehold houses for £1,200. About five years ago he required a loan of £600 from defendants, and executed a charge on the houses. He got a further £300 upon the same security. The loan account was kept separate from the drawing account. On March, 1895, a bill came forward unaccepted, and he went to the bank and asked for an overdraft pending acceptance. The bank manager said he would let witness know. On March 19 he went to Mr. Kurtz, his principal creditor, and got from him a cheque for £300. He went to the bank with a cheque for £300 and other documents, making in all £642 15s. 7d. When he went to the bank he saw the manager, Mr. Marks, who said that he had had witness's houses resurveyed, and they found the bank had over-advanced upon them and that his account was closed, and therefore he could not cash any cheques or honor any more of his acceptances. Witness said, "What ! is that the best you can do for an old customer of 20 years' standing?" Mr. Marks

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\*From THE TIMES LAW REPORTS.

said, "Yes. I am very sorry, but I cannot help you in this matter." He said he had had always a large amount on current account, and to-morrow was his pay-day, and it might mean his ruin; that cheques had been drawn which would be dishonored; and that bills were falling due the next day. Mr. Marks said he was sorry, but could not help him. He told Mr. Marks he was about to pay in between £600 and £700. Mr. Marks said he could not accept it and advised him to open an account with another bank. He told Mr. Marks that that was impossible, as the bills were made payable at the London and Midland Bank. He took three or four days to take stock. He employed a Mr. Childs, an accountant, to go through his accounts, with the result that he had a surplus of £1,100. On March 20 he received a message to call on the manager. Mr. Childs went with him to the bank. Mr. Marks said he wanted witness to draw a cheque on his current account for £150 to be applied towards his loan account, and his open account would go on in the usual way. His balance on that day was £160. He told Mr. Marks it was no use, as his cheques and bills had been dishonored. The bank gave Mr. Childs a list of the cheques and bills which had been dishonored. There were two cheques and two bills. He had an application from a debt-collecting agency in respect of a dishonored cheque. The matter was talked about and he could not get such advantageous terms with his customers. Some people he was in the custom of drawing upon insisted upon his paying monthly.

*Cross-examined.*—He had been short of money this year. He had not been seeking to get loans on security of his stock. He gave a second charge on the houses. That was in 1890. The bank had notice of that charge, and complained, and asked him to try and get the second charge withdrawn. He did that on March 14, 1895. On February 22, 1895, he wrote to Mr. Gardner, the bank manager, asking him if he knew any one who would advance £1,000, and that he would pay  $7\frac{1}{2}$  per cent. The bank replied that they did not know of any one who would do that. On February 20 and 23 bills were referred to the bank. On March 11 he wrote the bank for an overdraft. The bank replied that it could not be done until the second charge on the property had been withdrawn. On March 18 he

wrote to the bank asking for assistance. Next day he had an interview with the manager, and was told the houses were only worth £550. Mr. Marks knew that he had a cheque for £300 from a friend to tide him over his difficulty. Mr. Marks never told him that his cheques falling due could be presented at another bank.

Mr. Childs, examined, confirmed the account of the interview between the plaintiff and Mr. Marks, and further said he did not know that the account had been re-opened.

Mr. Marks, examined, said he was the London manager of the defendant bank. In February two bills came in, and they got a request to present them at another bank. The plaintiff only asked for an explanation, and he said he had to get the drawers to renew them. The bills were due, and there was insufficient balance to meet them. He told plaintiff that the second charge must be withdrawn upon the houses, and that he must have a balance-sheet for the last three years. He then came to the conclusion that the plaintiff's business was not improving, and they could not make him a further advance. He had the houses revalued, and he was told that the houses would not sell at a forced sale for £500. He asked the plaintiff to call. The plaintiff did not tell witness that he had £700 to pay in. He explained to plaintiff that he should go to another bank and request that bank to apply to defendants for the bills and cheques when they were presented. It was an ordinary operation to transfer the account from one bank to another. He saw Mr. Childs and plaintiff the following morning, and told them that they would carry on the account and apply £150 towards the reduction of the loan. He said he would have a further valuation made. He thought the proposal had been accepted and replaced to the credit of the current account the surplus over £150.

*Cross-examined.*—He transferred to the loan account the whole balance, and told plaintiff the bank would not honor any cheques. The plaintiff said there were outstanding cheques, and he told him they would not be paid.

Mr. G. W. Amos Tucker, manager of the Union Bank, said he was not aware of any custom by which a customer was entitled to notice before his account was closed. It was the

custom for bankers to close the account for reasons which to them seemed sufficient. It was very likely that the customer knew that his account was going to be closed.

Mr. A. F. Simpson, examined, said he was inspector of the Capital and Counties Bank. There was no obligation to give notice before closing an account. They would ask the customer to call and tell him that the account was closed.

This closed the evidence.

Counsel having addressed the jury,

Mr. Justice Mathew summed up to the jury, and said that the case for the plaintiff was that the course of business between himself and the bank was to honor his cheques and drafts without reference to the loan account, and that to transfer the loan account to the open account, without giving him notice, was not the course of business agreed upon between them. On the other hand the bank said there was no duty upon them to give notice, and the bank could at any time close the account. His Lordship reviewed the facts of the case and said there remained the question of damages. The jury must deal temperately with the bank. It was true that the plaintiff was in difficulties, and the jury ought not to discard the fact that the plaintiff was not carrying on a large business. The plaintiff was still going on, but had difficulties, and could not get the same credit as before. He appeared to have behaved in an extremely honorable way, and his credit would not be much damaged by the trial. They must not go beyond what would indemnify him for the loss he had sustained, and set him up in the estimation of his fellow business men. The learned judge left the following questions to the jury:—Was it the course of dealing between the plaintiff and defendants that plaintiff was to be allowed to draw upon his open account without reference to his loan account? 2. If yes, then was the plaintiff entitled to a reasonable notice that that course of business would be discontinued? 3. Was such a reasonable notice given?

The jury answered the first two in the affirmative and the last in the negative, and assessed the damages at £500.

Upon those findings the learned judge directed a verdict for the plaintiff and judgment accordingly.

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## QUEEN'S BENCH DIVISION, ENGLAND

## Munkittrick vs. Perryman and Another\*

Company for benefit of two persons—*Broderip v. Salomon*, distinguished.

This was an appeal from the decision of the County Court Judge at the Westminster Court.

The action was brought by Mr. Howard Munkittrick, otherwise Talbot, against Major Hand and Mr. Perryman to recover a sum of £42 for musical work which he did under an agreement of September 11, 1894, in connection with bringing out a burlesque at the Trafalgar Theatre. Major Hand and Mr. Perryman had determined to go into partnership in the matter of bringing out a play. Three thousand pounds was the estimated sum required. Major Hand was prepared to go £1,500 if Mr. Perryman would go the other £1,500. They desired that that should be the limit of liability. Accordingly a company of seven was formed, of which the defendants took all the shares except seven, one contributing £1,500 and the other £1,493. The company was duly formed and registered. The play, however, proved a failure, and the company went into voluntary liquidation in December, 1894. The question now arose whether these two gentlemen were liable personally to the plaintiff, or whether he had his remedy only against the company. The County Court Judge gave judgment for the plaintiff. He held that this syndicate was similar to that in *Broderip v. Salomon*, and that the principle of that case applied. In that case the Court of Appeal held that a "one-man company" was no real company—not, in fact, the sort of company that was contemplated by the statute. The test appeared to be whether there were distinct substantial shareholders, substantial directors, and substantial interests of the company. He thought that the doctrine of an undisclosed principal being liable to be sued as soon as he was ascertained, applied, and that, therefore, Mr. Talbot, the plaintiff, might sue the defendants. He thought there was no evidence that Mr. Talbot knew who the real principals were and elected to give credit to the company. The Judge gave judgment for £42.

Mr. Justice Wills said the County Court Judge was wrong.

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\*From the fuller report in THE TIMES LAW REPORTS.

It was suggested that there was no company at all, and many of the general observations of the Judges in the case of *Broderip v. Salomon* pointed in that direction; but so long as the company was duly incorporated in accordance with statute the learned Judge could not say there was no company. The general observations in the cases cited were of no great assistance in this. Another suggestion was that it was a case of principal and agent. That was not so, however, on the facts. Judgment could not be enforced against the defendants in the absence of the company.

Mr. Justice Wright concurred. As a rule contracts with corporations were not contracts with the individuals comprising it, and an action to enforce a contract with a corporation could not in general be brought against individual members. In this case there never was a contract with the individual defendants. The contract was with the company and that was what was always intended. The principles laid down in the case were inapplicable because the parties were not before the Court. This was an ordinary money action brought against the defendants personally in the County Court. The Judge was not entitled to brush away the company altogether as he had done. He (Mr. Justice Wright) would express no opinion as to what might have taken place if the action had been brought against the company as co-defendants with the present defendants. Under the circumstances as they were the appeal must be allowed.

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#### Ellesmere Brewery Company, Ltd., vs. Cooper and Others\*

Four persons entered into a bond of £150 as security for the agent of a brewery company. The bond recited that the liability of A and B was limited to £50 each, and of C and D to £25 each.

A was the last to sign the bond, and in doing so added to his signature the words "Twenty-five pounds only."

*Held*, that none of the co-sureties was liable on the bond.

The facts and arguments of this case sufficiently appear from the following considered judgment of the Court, which was delivered by the Lord Chief Justice.

His Lordship said,—This was an action against Cooper and four other defendants who had signed a bond as sureties for Cooper. At the trial before the learned County Court Judge of No. 27 Circuit, judgment was given for the plaintiffs as against Cooper, and judgment given for the four remaining defendants—the sureties. The facts were that Cooper, having become agent and traveller for the plaintiffs, was called upon to give them some security. He accordingly gave the bond in question,

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\*From the fuller report in THE TIMES LAW REPORTS.



in which he was joined by the four other defendants. The bond is dated April 30, 1894. By its terms the five defendants are jointly and severally bound to the plaintiffs in the sum of £150. It then recites that Cooper had been appointed agent for the company, and states the condition of the bond to be that if Cooper duly accounted for all moneys received by him for the plaintiffs, and otherwise performed the duties of his agency, the bond should be void. It then provided that the liability of Nunnerley and Emberton (two of the defendants) should be limited to £50 each, and that of Pay and Bromfield (two other of the defendants) to £25. The effect, therefore, of the bond, as drawn, was that the principal and the sureties were jointly and severally bound in the sum of £150, but that liability could not be enforced against any of the sureties beyond the limit of the sum specified as to each of them. Nunnerley was the last to sign, and his signature thus appears on the bond—"Walter Nunnerley, Twenty-five pounds only." The witness to the execution of each of the signatories was Mr. Bruce, the plaintiff's manager, who, so far as appears, took the bond without making any objection to the manner of Nunnerley's execution; nor was it suggested that Nunnerley had surreptitiously added the qualification of "twenty-five pounds only" to his signature. As no evidence was given on the point it cannot be assumed that Nunnerley in bad faith sought, by the form of his execution of the bond, to limit any liability he had previously agreed to undertake. The probability is that in giving particulars of his sureties Cooper had erroneously stated that Nunnerley had agreed to undertake liability to the extent of £50, whereas he had done so only to the extent of £25. Subsequently, Cooper, the principal, received moneys for the plaintiffs to the amount of £48 for which he had failed to account, and judgment was given against him at the trial for that amount. The contested question was the liability of the other defendants—the sureties. The learned County Court Judge held that no one of them was liable, and gave judgment for them accordingly. The present appeal is against that judgment. It was argued for the plaintiffs—(1) That the form of Nunnerley's execution did not constitute an alteration of the bond so as to discharge from liability the three prior executing sureties; (2) that, if an alteration, it was not a material alteration, and, therefore, did not discharge such sureties; and lastly (3) that in any case Nunnerley was liable to the extent of £50, or, if not of £50, at least to the extent of £25. In my judgment no one of these contentions is well founded. I think the effect of Nunnerley's mode of execution, on the facts of this case, is substantially the same as if the proviso in the body of the bond had been altered by him before execution by him by striking out £50 and inserting instead £25. It was therefore an alteration; its effect I shall presently dis-

cuss. The argument of the learned counsel for the appellant was that the loss in question was to be divided into fourths, and that so long as each fourth did not exceed the sum for which each surety had become liable, each of them was bound to pay and without any right of contribution from his co-sureties, whether the fixed limit of his liability was for the greater or the smaller amount. Here it was said the one-fourth of the loss was £12, and as Nunnerley had clearly intended to make himself liable, as also had Pay and Bromfield for £25 each, it was immaterial whether Nunnerley signed for £25 or for £50. Each, it was contended, was bound to pay £12, and Emberton was bound to bear no more of the loss than the others. In my judgment this contention is founded on a misapprehension of the law. It renders it necessary to consider the principle upon which liability of sureties *inter se* rests. That principle is that sureties for the same principal and for the same engagement, even although bound by different instruments and for different amounts, have a common interest and a common burden, so that if one surety who is directly liable to the creditor pays such creditor, he can claim contribution from his co-sureties whose obligations to the creditor he has discharged. But how is the amount of the claim to be determined? According to the argument of the learned counsel for the plaintiffs it is to be determined by the number of the sureties. Thus, if there are four sureties and one of them pays all, he can recover one-fourth, and one-fourth only, of his payment from each of the other three co-sureties. But this is not in all cases true even where each of the sureties has made himself liable for the same amount. Thus, where four sureties are jointly and severally bound in a surety bond, and one of them pays the amount of the bond, but one of the remaining three sureties is insolvent, the right to contribution against the two other sureties is for thirds, not for fourths, of the sum paid. But how where, although the sureties are jointly and severally bound, there are different limits of liability, as in this case? It is clear that where the full amount of the bond is due and payable to the creditor, that liability can only be enforced against each surety to the limit of the liability fixed in the instrument. In such case there would be no right of contribution, for each had paid to the limit of his liability. But suppose only half of the amount of the bond is due and payable to the creditor, and such amount is paid by one only of the sureties, who has fixed the limit of his liability at one-half the amount of the bond, could it be said that he had no right to any contribution from his co-sureties? Surely not. The burden is a common burden of all, but unequally distributed. By his payment of the loss of one-half the surety has discharged a liability which might have been enforced against the other sureties up to the fixed limit. It would

be against all equitable principles that in such a case the other sureties should go free because it happened that the creditor had enforced payment against one only. . . . Assume the bond to have been executed according to its original tenor without qualification or alteration. The total loss being £48, Emberton, having subscribed for £50 out of the total of £150, would be liable for one-third; and if he paid no more would have no claim for contribution; if he paid to the plaintiff more than one-third, he could claim contribution from his co-sureties in the proportion of their subscription. Stated as a sum in proportion Emberton's liability would be arrived at thus:—As 150 is to 50, so is 48 to the result. So worked out, Emberton would be liable for £16 only, and if he paid more would have a claim for contribution. In like manner Pay and Bromfield would be liable for £8 each and Nunnerley for £16. Now, to appreciate the materiality of the alteration, let us consider its effect upon the liability of Nunnerley. He explicitly says, I execute the bond only on the terms of my liability being limited to £25. He could not, therefore, in any case be made liable for more (whether he can be made liable for the £25 I shall presently consider). What, then, is the effect of the altered limitation to £25 by Nunnerley upon the position of the other three sureties? Take Emberton's position. For simplicity assume that the total liability to the plaintiff company for £48 had been paid by Emberton. According to the tenor of the bond without the alteration Emberton would have to bear two sixths, equal to one-third of the loss; Nunnerley two-sixths, equal to one-third; and Pay and Bromfield one-sixth each. But by the alteration it is manifest that Emberton, who has paid, would not have the same right of contribution against Nunnerley; and if Nunnerley is not bound at all, would have no right of contribution against him. The alteration, then, was clearly material. It is unnecessary to give similar illustrations as to Pay and Bromfield. The result, therefore, is, that neither Emberton, Pay, nor Bromfield can be made liable on this bond. Each of them is entitled to say,—The contract on which I entered was on the basis of Nunnerley being a party to it with a liability of £50. That is not the contract as it now appears from the bond, and I am, therefore, not bound by it. Their position would be still stronger if Nunnerley is not bound by the bond at all. The remaining question then is, Is Nunnerley bound at all? I have already intimated that as he has expressly said, I shall be liable only for £25, he cannot be made liable for £50; but is he liable even for the £25? I think he is not. He, in good faith, as must be assumed, expressly limits his liability to £25, but he undertakes that liability not as a separate or independent liability, but as part of a contract, in which three other sureties are joining him, against whom in

certain eventualities he will have rights of recourse, between whom and himself a common burthen is to be borne, although unequally distributed. But if, in fact, such other sureties are not bound by the contract—and I have adjudged that they are not—Nunnerley is entitled to say, This is not the contract into which I have entered, and I am not bound by it. The judgment of the learned County Court Judge must stand, and the appeal will, therefore be dismissed with costs.

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#### SUPREME COURT OF CANADA\*

Gorman (defendant) appellant, and Dixon (plaintiff) respondent

Where a creditor gives his debtor an extension of time for payment, a formal agreement is not required to reserve his rights against a surety, but such reservation may be made out from what took place when the extension was given.

This was an appeal from a decision of the Supreme Court of Prince Edward Island, sustaining a verdict for the plaintiff at the trial. The material facts of the case are fully set out in the following judgment of the majority of the Court, delivered by the Chief Justice :

This was an appeal from a decision of the Supreme Court of Prince Edward Island, refusing to grant a rule *nisi* for a new trial. The action was brought to recover \$160 as an unpaid balance on a promissory note for \$200, dated the 18th of October, 1892, and made by the appellant, James Gorman, and one John Gorman, his brother, jointly and severally, payable to the Merchants Bank of Halifax, three months after date. This note was discounted by the Merchants Bank for John Gorman, who received the proceeds. James Gorman, the appellant, became a party to the note as surety for his brother.

When this note became due in January, 1893, it was dishonored and remained in the bank unpaid. On the 31st January, 1893, the respondent as surety for John Gorman became a party to another joint and several note for \$160 made by John Gorman and himself at three months, which was also discounted by the Merchants Bank. The proceeds of this discount were retained by the bank, and in addition the sum of forty dollars was paid to the bank, together with the interest accrued on the first note and the discount on the second note, by John Gorman, the principal debtor ; the first note, that for \$200, was not, however, given up, but was retained by the bank manager, Mr. Arnaud, who pinned it to the new note and put them away in the bill case. Mr. Arnaud's account of what occurred is as follows:

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\*From the fuller report in the SUPREME COURT REPORTS.

The arrangement made was that the old note should be left in the bank and that the new note be held as collateral security till the old one was paid. I undertook to hand back the new note to Dixon when the old note was paid. I took the two notes and pinned them together and put them away in the bill case. It is not the practice to retain the old note when a new one is given in payment or settlement. This was done after old note due. No reason otherwise to hold old note. I kept the two notes in the bank till the \$160 became due. Dixon's solicitor paid the new note and I gave him both notes endorsing the old one to him. John Gorman and Dixon were both present and undoubtedly heard what I said. I don't remember John asking me for the old note. I pinned them together in his presence.

This evidence was to some extent contradicted by John Gorman. This transaction undoubtedly amounted to a giving of time to John Gorman, the principal debtor in respect of the first note; the debt being, to the extent of \$160 the same on both notes, and the interest on the second note having been paid in advance by Mr. Gorman, the bank was not in a position to sue him during the currency of that note. It is, however, the law that if the creditor giving time to the principal debtor reserves his remedies against the surety the latter is not discharged. The respondent insists that such a reservation is by the evidence of Mr. Arnaud proved to have been made in the present case. I am of opinion that the evidence of Mr. Arnaud does show that the remedies against the appellant were so reserved, and it was therefore a question for the jury whether they would give credit to Mr. Arnaud's testimony or to that of the principal debtor, John Gorman. No formal agreement is essential to effect the reservation of the right to sue the surety and thus to counteract the effect of giving time which would otherwise discharge the surety. This is well established by the case of *Wyke v. Rogers*, a case of the highest authority decided by Lord St. Leonards in 1852. There the principal debtor and the surety had joined in a joint and several bond, and this bond having become due, the creditor took from the principal debtor a promissory note for part of the money due, payable two months after date. The report of the case states that:

The Master found that there was a general understanding between the creditor and the principal debtor that the creditor's remedy on the bond was not to be taken away; but he found that there was no written, nor beyond the general understanding before mentioned, any distinct parol, agreement respecting the bond between the creditor and the principal debtor.

Upon this finding Lord St. Leonards held the surety not discharged.

The jury in this case having, after a proper charge from the learned Chief Justice, found for the plaintiff, must be taken to have given credit to Mr. Arnaud's evidence. The present case is therefore as regards the law on all fours with that of *Wyke v. Rogers*, and must be ruled by it.

Gwynne, J., dissented.

# UNREVISED FOREIGN TRADE RETURNS, CANADA

(000 omitted)				
IMPORTS				
<i>Nine months ending March—</i>				
	1894-5		1895-6	
Free .....	\$31,014		\$28,915	
Dutiable.....	42,979		50,972	
	<u>\$73,994</u>		<u>\$79,888</u>	
Bullion and Coin.....	4,452	\$78,446	4,264	\$84,152
<i>Month of April—</i>				
Free .....	\$ 3,135		\$ 2,382	
Dutiable.....	4,920		5,339	
	<u>\$ 8,055</u>		<u>\$ 7,721</u>	
Bullion and Coin.....	96	\$ 8,151	189	\$ 7,910
<i>Month of May—</i>				
Free .....	\$ 4,285		\$ 3,276	
Dutiable.....	4,792		5,424	
	<u>\$9,077</u>		<u>\$8,700</u>	
Bullion and Coin.....	78	\$ 9,155	741	\$ 9,441
Total for eleven months.....		<u>\$95,752</u>		<u>\$101,503</u>
EXPORTS				
<i>Nine months ending March—</i>				
Products of the mine .....	\$ 4,864		\$ 5,992	
“ Fisheries.....	8,667		8,619	
“ Forest .....	17,586		19,024	
Animals and their produce.....	28,300		30,870	
Agricultural products .....	14,306		10,940	
Manufactures .....	5,455		6,794	
Miscellaneous .....	111		145	
	<u>\$79,293</u>		<u>\$82,387</u>	
Bullion and Coin.....	2,397	\$81,690	4,475	\$86,862
<i>Month of April—</i>				
Products of the mine.....	\$ 502		\$ 619	
“ Fisheries.....	299		355	
“ Forest .....	814		1,230	
Animals and their produce .....	653		1,165	
Agricultural products .....	463		407	
Manufactures .....	610		774	
Miscellaneous.....	11		17	
	<u>\$3,353</u>		<u>\$4,570</u>	
Bullion and Coin .....	301	\$3,654	145	\$4,715

*Month of May—*

Products of the mine .....	\$ 551		\$ 663	
"    Fisheries .....	533		735	
"    Forest .....	2,093		2,346	
Animals and their produce .....	2,120		2,105	
Agricultural produce .....	1,004		1,739	
Manufactures .....	628		842	
Miscellaneous .....	15		16	
	<u>\$6,944</u>		<u>\$8,428</u>	
Bullion and Coin .....	126	\$7,070	29	\$8,457
		<u>\$92,414</u>		<u>\$100,034</u>

## SUMMARY (IN UNITS)

*For eleven months—*

	1894-95	1895-6
Total imports other than bullion and coin....	\$91,126,000	\$96,309,000
Total exports other than bullion and coin ....	89,590,000	95,385,000
	<u>\$1,536,000</u>	<u>\$924,000</u>
Excess of imports .....	\$1,536,000	\$924,000
Net imports bullion and coin .....	1,803,000	545,000

STATEMENT OF BANKS acting under Dominion Government charter for the months of March, April  
May, 1896, and comparison with May, 1895 :

LIABILITIES

	31st March, 1896	30th April, 1896	31st May, 1896	31st May, 1895
Capital authorized .....	\$ 73,458,685	\$ 73,458,685	\$ 73,458,685	\$ 73,458,685
Capital paid up .....	62,196,536	62,198,413	62,198,413	61,700,835
Reserve Fund .....	26,458,799	26,463,799	26,318,799	27,043,799
Notes in circulation .....	\$ 30,789,457	\$ 29,654,973	\$ 29,395,444	\$ 28,429,134
Dominion and Provincial Government deposits .....	6,316,801	5,740,570	5,539,154	7,826,795
Public deposits on demand .....	59,874,493	60,859,928	61,881,340	65,043,834
Public deposits after notice .....	120,699,562	120,644,617	121,034,721	115,058,980
Bank loans or deposits from other banks secured .....	20,500	12,438	35,000	121,046
Bank loans or deposits from other banks unsecured .....	2,502,104	2,229,816	2,286,425	2,021,755
Due other banks in Canada in daily exchanges .....	83,321	77,885	116,966	91,808
Due other banks in foreign countries .....	135,817	165,531	168,273	247,043
Due other banks in Great Britain .....	5,952,394	5,858,794	4,945,056	4,696,056
Other liabilities .....	596,296	421,839	999,471	902,657
Total liabilities .....	\$226,070,832	\$225,666,491	\$227,295,944	\$225,939,194



## BANK STATEMENT WITH COMPARISON

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## ASSETS

Specie.....	\$ 7,797,099	\$ 7,807,640	\$ 8,034,099	\$ 7,669,575
Dominion notes.....	12,737,996	13,558,304	13,472,376	14,044,513
Deposits to secure note circulation.....	1,816,011	1,814,624	1,816,833	1,812,892
Notes and cheques of other banks.....	6,341,636	6,356,607	7,169,130	7,502,348
Loans to other banks secured.....	15,500	12,806	30,000	121,045
Deposits made with other banks.....	3,273,695	2,950,317	3,120,601	2,851,600
Due from other banks in Canada in daily exchanges.....	107,153	153,451	198,109	146,130
Due from other banks in foreign countries.....	16,400,267	16,435,001	18,504,594	19,320,837
Due from other banks in Great Britain.....	4,417,380	5,036,575	4,632,125	3,853,444
Dominion Government debentures or stock.....	2,901,549	2,993,003	3,007,677	2,706,189
Public municipal and railway securities.....	19,877,893	19,804,426	20,255,209	18,348,780
Call loans on bonds and stocks.....	13,849,628	13,371,072	13,437,452	16,818,764
Current loans and discounts.....	211,603,718	210,292,087	206,970,006	203,572,324
Loans to Dominion and Provincial Governments.....	462,743	564,286	659,567	1,344,297
Overdue debts.....	4,344,192	3,706,184	3,373,283	2,283,272
Real estate.....	1,485,358	2,152,048	2,105,908	1,052,521
Mortgages on real estate sold.....	582,288	557,781	569,809	595,181
Bank premises.....	5,655,524	5,652,483	5,629,488	5,448,489
Other assets.....	1,931,452	2,191,847	2,105,798	1,795,553
Total assets.....	\$315,691,276	\$315,410,893	\$315,212,349	\$311,287,952
Average amount of specie held during the month.....	\$ 7,780,843	\$ 7,830,597	\$ 7,848,521	\$ 7,484,083
Average Dominion notes held during the month.....	12,797,159	12,801,770	13,245,455	14,016,340
Loans to directors or their firms.....	7,936,789	7,942,639	7,680,312	8,441,590
Greatest amount of notes in circulation during month.....	31,521,232	31,828,032	30,750,314	30,142,474

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Toronto, Halifax, Hamilton  
Winnipeg and St. John

(000 omitted)

	MONTREAL		TORONTO		HALIFAX		HAMILTON		WINNIPEG		ST. JOHN
	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	1894-5	1895-6	
June .....	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	1896
July .....	44,704	52,353	21,965	26,772	4,471	5,090	2,753	2,913	3,329	3,865	\$
August ..	45,223	51,902	23,763	26,838	5,492	5,739	2,682	2,972	3,570	4,038	\$
September ..	44,383	49,314	21,779	23,235	5,407	6,264	2,546	2,726	3,695	3,937	\$
October ..	46,855	45,251	20,078	22,543	5,062	4,694	2,686	2,706	3,975	4,008	\$
November ..	55,730	53,298	25,750	28,437	5,452	5,613	3,155	3,402	6,786	7,911	\$
December ..	51,838	54,397	25,214	28,633	5,021	5,444	3,092	3,363	6,607	8,503	\$
January ..	47,351	54,138	25,700	33,728	4,874	5,462	2,834	3,224	5,199	6,641	\$
February ..	48,376	46,663	27,901	33,095	4,997	5,705	2,831	3,227	4,067	4,977	\$
March .....	37,793	38,123	20,493	28,544	4,118	4,709	2,461	2,686	2,721	4,052	\$
April .....	42,464	36,643	22,332	26,087	4,174	4,357	2,462	2,516	2,929	4,286	\$
May .....	41,905	37,589	21,900	26,111	4,413	4,790	2,610	2,729	3,093	4,032	\$
May .....	51,969	44,344	25,698	27,796	4,964	5,064	2,704	2,733	4,156	4,246	\$
	558,591	563,995	282,693	331,869	58,445	62,931	32,816	35,197	50,127	60,496	\$

\*NOTE.—These totals prior to November, 1895, do not include the Bank of Toronto.

# CANADIAN BANKERS' ASSOCIATION

## LIST OF ASSOCIATES

Abbott, J. H.....	Merchants Bank of Halifax
Abbott, C. C.....	Bank of Montreal
Abernethy, A. C.....	Bank of British North America
Acres, J. J.....	Canadian Bank of Commerce
Aird, John.....	Canadian Bank of Commerce
Allan, Arch'd.....	Merchants Bank of Canada
Allan, Andrew.....	Halifax Banking Co.
Allan, W. A.....	Merchants Bank of Canada
Alley, J. A. M. ....	Traders Bank of Canada
Allin, A. E.....	Western Bank of Canada
Ambridge, H. A.....	Molsons Bank
Ambrose, E. S.....	Bank of Hamilton
Ambrose, H. S.....	Bank of Montreal
Ambrose, J. R.....	Bank of British North America
Anderson, A. Y.....	Imperial Bank of Canada
Anderson, J.....	Bank of British North America
Anderson, J. P.....	Union Bank of Canada
Anderson, M. A.....	Union Bank of Canada
Anderson, R. H.....	Bank of Nova Scotia
Andrews, Ernest.....	Canadian Bank of Commerce
Andros, E. B.....	Bank of Toronto
Angus, A. F.....	Bank of Montreal
Angus, Jas. A.....	Bank of Montreal
Appleton, L. G.....	Molsons Bank
Ardagh, J. C.....	Bank of Toronto
Archibald, H. H.....	Halifax Banking Co.
Arkell, R.....	Imperial Bank of Canada
Armstrong, C. A.....	Commercial Bank of Windsor
Armstrong, C. R.....	Canadian Bank of Commerce
Arnaud, E. D.....	Union Bank of Halifax
Arnaud, F. H.....	Merchants Bank of Halifax
Arnold, C. M.....	Imperial Bank of Canada
Ashe, F. W.....	Union Bank of Canada
Atkinson, M.....	Bank of Toronto
Austin, Benj.....	Eastern Townships Bank
Austin, H. L. G.....	Bank of British North America
Babbitt, D. Lee.....	People's Bank of New Brunswick
Babbitt, G. W.....	Bank of Nova Scotia
Bailey, H. A.....	People's Bank of Halifax
Balfour, G. H.....	Union Bank of Canada
Ball, Wm. Lee.....	Eastern Township Bank
Bangs, John A.....	Bank of Ottawa
Banks, A. P.....	Canadian Bank of Commerce
Banks, D. W.....	Union Bank of Canada
Banque Nationale.....	Quebec
Barker, A. B.....	Bank of Toronto
Barnhardt, R.....	Molsons Bank
Barnum, J. L.....	Canadian Bank of Commerce

Barrow, R. S.....	Union Bank of Canada
Barry, J. F.....	Merchants Bank of Halifax
Bartlett, C.....	Bank of Hamilton
Bate, E. N.....	Imperial Bank of Canada
Battersby, J. P.....	Canadian Bank of Commerce
Bayly, N.....	Bank of British North America
Beaudoin, J. L.....	Banque d'Hochelaga
Beaven, H. R.....	Bank of British Columbia
Beaven, W. J.....	Bank of Montreal
Begg, Wm. M. ....	Bank of Toronto
Bell, J. P.....	Bank of Hamilton
Bell, W. ....	Imperial Bank of Canada
Bellhouse, Wm. A.....	Merchants Bank of Canada
Belt, W. G. H.....	Bank of British North America
Benedict, C. L.....	Bank of Montreal
Bennett, A. E. ....	Merchants Bank of Canada
Bennetts, H. E.....	Merchants Bank of Canada
Benson, W. S.....	Bank of Nova Scotia
Benson, J. J. ....	Bank of Montreal
Bentley, H. M. ....	Bank of Ottawa
Bethune, F. A.....	Molsons Bank
Bienvenu Tancrede.....	Banque Jacques Cartier
Bienvenu, T.....	Banque Jacques Cartier
Biette, F.....	Western Bank of Canada
Bignell, A. E.....	Merchants Bank of Canada
Billett, J. Glanville .....	Union Bank of Canada
Billings, J. jr.....	Bank of Hamilton
Bingay, T. Van B.....	Exchange Bank of Yarmouth
Bingham, H. P.....	Merchants Bank of Canada
Birchall, A. S. ....	Union Bank of Canada
Bird, E. H.....	Canadian Bank of Commerce
Bird, J. Godfrey .....	Bank of Toronto
Bird, T. A.....	Bank of Toronto
Bishop, C. A.....	Merchants Bank of Canada
Black, Francis M.....	Bank of British Columbia
Black, John .....	Bank of Nova Scotia
Blackburn, Russell .....	Bank of Ottawa
Blagdon, J. F. ....	Merchants Bank of Halifax
Blair, T. B.....	Bank of Nova Scotia
Blakeney, H.....	Merchants Bank of Canada
Blanchard, E. R.....	Banque de St. Hyacinthe
Bleau, J. A.....	Banque du Peuple
Boak, S. D. ....	Union Bank of Halifax
Boddy, W. C.....	Standard Bank of Canada
Boivin, N. A.....	Banque Nationale
Boire, H. N. ....	Banque d'Hochelaga
Bonner, G. W. G.....	Bank of British North America
Borden, A. M.....	Bank of Nova Scotia
Borden, F. W. ....	Halifax Banking Co.
Botsford, W. M.....	Merchants Bank of Halifax
Boulton, E. K.....	Imperial Bank of Canada
Boulton, J. D.....	Molsons Bank
Bourinot, E. W.....	Union Bank of Canada
Boyd, B. C. Barclay .....	Bank of New Brunswick
Boyle, J. A.....	Imperial Bank of Canada

Breedon, H. M.....	Bank of British North America
Brent, C. J.....	Merchants Bank of Canada
Brent, Geo. W.....	Bank of Hamilton
Brewer, H. C.....	Molsons Bank
Brock, Jas. T.....	Bank of Ottawa
Brock, W. F.....	Canadian Bank of Commerce
Brodie, F. A.....	Bank of Toronto
Brodrick, A. B.....	Molsons Bank
Brodrick, P. W. D. ....	Molsons Bank
Brough, C.....	Bank of Montreal
Brough, John M. ....	Halifax Banking Co.
Brown, G. C.....	Imperial Bank of Canada
Brown, T. H.....	Bank of Hamilton
Brown, Vere C.....	Canadian Bank of Commerce
Browne, W. G.....	Canadian Bank of Commerce
Bryce, Geo. M.....	Bank of Toronto
Brydon, James.....	Canadian Bank of Commerce
Buchan, E.....	Bank of Hamilton
Buchan, J. L.....	Canadian Bank of Commerce
Buchanan, J. O.....	Union Bank of Canada
Burchell, John E.....	Merchants Bank of Halifax
Burn, Geo.....	Bank of Ottawa
Burns, G. H.....	Bank of British North America
Burns, W. H.....	Bank of Nova Scotia
Burrows, N. R.....	Union Bank of Halifax
Burrows, W. A.....	Merchants Bank of Canada
Butler, W.....	Imperial Bank of Canada
Butler, W. E.....	Merchants Bank of Canada
Butt, R.....	Bank of British North America
Butterfield, J.....	Bank of Hamilton
Cadenhead, J. ....	Imperial Bank of Canada
Caldwell, A. D.....	Bank of Nova Scotia
Caldwell, W.....	Bank of Nova Scotia
Cameron, Duncan .....	Merchants Bank of Halifax
Cameron, D. A.....	Canadian Bank of Commerce
Cameron, D. E.....	Canadian Bank of Commerce
Cameron, Jas.....	Bank of Toronto
Campbell, A. J. D.....	Bank of British North America
Campbell, E. A.....	Bank of Hamilton
Campbell, J. M.....	Bank of Hamilton
Campbell, P.....	Bank of Toronto
Cant, Joseph.....	Bank of British North America
Capreol, A. R.....	Imperial Bank of Canada
Carlyle, Thos. W.....	Bank of Toronto
Carruthers, George.....	Merchants Bank of Canada
Carter, E. H.....	Canadian Bank of Commerce
Cartwright, L. S.....	Bank of Montreal
Cassels, D. S.....	Bank of Hamilton
Cassels, L. G.....	Dominion Bank
Chadwick, J. W.....	Bank of Toronto
Chapman, J. R.....	Bank of British North America
Charles, D. H.....	Canadian Bank of Commerce
Charlton, F. E.....	Merchants Bank of Canada

Chatterton, T. S.....	Bank of Toronto
Checkley, E. R.....	Merchants Bank of Canada
Checkley, F. Y.....	Canadian Bank of Commerce
Chester, A.....	Merchants Bank of Canada
Chesterton, C. A.....	Bank of Ottawa
Chipman, L. D. V.....	Bank of Nova Scotia
Chipman, W. H.....	Bank of Nova Scotia
Chisholm, Geo. R.....	Merchants Bank of Halifax
Chisholm, W. R.....	Imperial Bank of Canada
Chisholm, W. S.....	Merchants Bank of Canada
Christie, A. E. ....	Union Bank of Canada
Christie, W. J. ....	Bank of Ottawa
Clark, J. S.....	Bank of Hamilton
Clarke, C. H. Stanley.....	Imperial Bank of Canada
Clarke, D. R.....	People's Bank of Halifax
Clark, O. S. ....	Bank of Hamilton
Clark, R.....	Bank of Montreal
Clark, R. S. ....	Imperial Bank of Canada
Clark, S. A. ....	Merchants Bank of Halifax
Clawson, J.....	Bank of New Brunswick
Clinch, C. W.....	Molsons Bank
Clouston, E. S.....	Bank of Montreal
Cochran, E. J. ....	People's Bank of Halifax
Cogswell, A. E.....	Halifax Banking Company
Cole, Francis ....	Bank of Ottawa
Collard, W. H.....	Imperial Bank of Canada
Connolly, W. S.....	Molsons Bank
Conolly, R. G. W.....	Canadian Bank of Commerce
Cook, C.....	Standard Bank of Canada
Cooke, Wm.....	Merchants Bank of Canada.
Cooper, W. F.....	Bank of Toronto
Copeland, W. A. ....	Bank of Toronto
Cotton, F. M.....	Bank of Montreal
Coulson, D. ....	Bank of Toronto
Coulson, F. L.....	Bank of Toronto
Coulthard, W. B.....	People's Bank of New Brunswick
Counsell, C. E.....	Bank of Montreal
Cowdry, E.....	Canadian Bank of Commerce
Craig, H. J.....	Western Bank of Canada
Craig, Will.....	Bank of Toronto
Cran, J.....	Bank of British North America
Crawford, F. L.....	Canadian Bank of Commerce
Creighton, J. M.....	Union Bank of Halifax
Creighton, J. S.....	People's Bank of Halifax
Crispo, F. W. S.....	Union Bank of Canada
Crombie, A. M.....	Canadian Bank of Commerce
Crombie, D. B.....	Quebec Bank
Crombie, R. B.....	Bank of Montreal
Crompton, R. W.....	Canadian Bank of Commerce
Crookall, C. J.....	Merchants Bank of Canada
Crosbie, C. A.....	Canadian Bank of Commerce
Cross, F. O.....	Canadian Bank of Commerce
Crossley, F. ....	Canadian Bank of Commerce
Cumberland, C. R.....	Bank of British North America

Cumberland, D.....Bank of British North America  
 Currie, R. S.....Merchants Bank of Halifax  
 Cuthbertson, G. J.....Bank of Toronto

Dampier, L. H.....Canadian Bank of Commerce  
 Daniel, G. W. ....Bank of Nova Scotia  
 Daniels, Fred .....Bank of Montreal  
 Davidson, R., jr.....Imperial Bank of Canada  
 Dawson, T. C.....Canadian Bank of Commerce  
 Day, Martin S.....Union Bank of Canada  
 Deacon, C. F.....Bank of British North America  
 Deans, H. G. P. ....Bank of British North America  
 de Gex, L. M.....Canadian Bank of Commerce  
 DeGuise, L. ....Banque Nationale  
 DeMartigny, Louis .....Banque Jacques Cartier  
 deMille, F. W. ....Halifax Banking Co.  
 Dench, F. E.....Canadian Bank of Commerce  
 Desy, W. L. M.....Banque d'Hochelaga  
 De Veber, Boies .....Halifax Banking Co.  
 Dewar, D. B.....Canadian Bank of Commerce  
 Dick, John M. ....Bank of New Brunswick  
 Dickie, M.....Merchants Bank of Halifax  
 Dickins, A. H. ....Bank of Ottawa  
 Dickinson, Wm. ....Merchants Bank of Halifax  
 Dimock, R. V.....Merchants Bank of Halifax  
 Dinning, Neil .....Eastern Townships Bank  
 Dixon, F. J. ....Bank of British North America  
 Doig, D.....Bank of British North America  
 Douglas, Archibald.....Canadian Bank of Commerce  
 Douglas, Geo. ....Imperial Bank of Canada  
 Douglas, H. S.....Imperial Bank of Canada  
 Dowding, C. E.....Molsons Bank  
 Draper, W. H. ....Molsons Bank  
 Drury, Le B. M.....Bank of Montreal  
 Drynan, W. R. ....Canadian Bank of Commerce  
 Dubuc, J. E. A.....Banque Nationale  
 Duff, J. M.....Canadian Bank of Commerce  
 Dumoulin, P. B.....Quebec Bank  
 Duncan, D. H.....Merchants Bank of Halifax  
 Dunlop, Fred .....Molsons Bank  
 Dunn, E. Edward .....Bank of Toronto  
 Dunsford, C. R.....Union Bank of Canada  
 Dupuy, H. S.....Bank of Montreal  
 Durand, J. E.....Merchants Bank of Canada  
 Durnford, A. D.....Molsons Bank  
 Duthie, E.....Bank of Montreal  
 Dykes, P. ....Merchants Bank of Canada

Earle, Ernest A. ....Merchants Bank of Halifax  
 Easson, C. H.....Bank of Nova Scotia  
 Eckardt, H. M. P.....Merchants Bank of Canada  
 Eddis, J. H.....Imperial Bank of Canada  
 Edgell, Stephen .....Eastern Townships Bank  
 Edwards, J. B.....Bank of Toronto

Elliott, R. ....	Molsons Bank
Elliot, James.....	Molsons Bank
Elliott, John .....	Standard Bank of Canada
Eliot, W. L. ....	Bank of Montreal
Ellis, A. E. ....	Bank of British North America
Emery, F. B.....	Union Bank of Canada
Evans, H. P.....	Molsons Bank
Farwell, Wm.....	Eastern Townships Bank
Fenton, T. R.....	Imperial Bank of Canada
Ferguson, D. A.....	Molsons Bank
Ferguson, J. H.....	Merchants Bank of Halifax
Fetherstonhaugh, E. J.....	Canadian Bank of Commerce
Fewings, E. J.....	Merchants Bank of Canada
Fidler, J. E.....	Molsons Bank
Field, R. A.....	Bank of Montreal
Finlaison, E. O.....	Bank of British North America
Finnie, D. M.....	Bank of Ottawa
Finucane, F. J.....	Bank of Montreal
Fisher, Guy A. ....	Union Bank of Canada
Fisher, W. H. ....	Canadian Bank of Commerce
Fisk, A. K.....	Bank of British North America
Fitton, H. W.....	Canadian Bank of Commerce
Fitzgerald, M. J. ....	Bank of Nova Scotia
Fitzsimons, Harvey.....	Bank of Toronto
Flemming, H. A.....	Bank of Nova Scotia
Forbes, D. J.....	Halifax Banking Co.
Forrest, C.....	Imperial Bank of Canada
Forrest, S. L.....	Union Bank of Canada
Forsayeth, B.....	Bank of Hamilton
Fortier, S. ....	Banque d'Hochelaga
Foster, G. C.....	Imperial Bank of Canada
Foster, R. P.....	Merchants Bank of Halifax
Fothergill, C.....	Bank of Montreal
Fowler, Percy B. ....	Bank of British Columbia
Fraser, Hector .....	Bank of Ottawa
Fraser, Wm. D.....	Eastern Townships Bank
Freeman, C. D.....	Bank of Nova Scotia
Fripp, Geo. M.....	Merchants Bank of Halifax
Frost, Henry.....	Banque Ville-Marie
Fuller, E. H.....	Bank of Toronto
Fuller, S. B.....	Imperial Bank of Canada
Fulton, J. R.....	Imperial Bank of Canada
Fyshe, Thos.....	Bank of Nova Scotia
Gagnon, Arthur .....	Banque Du Peuple
Gallagher, James.....	Ontario Bank
Galletly, A. J. C.....	Bank of Montreal
Galbraith, R. S.....	Imperial Bank of Canada
Gamble, R. D. ....	Dominion Bank
Gamon, John C.....	Bank of Toronto
Gardiner, H. J.....	Merchants Bank of Halifax
Gault, John .....	Merchants Bank of Canada
Geddes, H. M.....	Molsons Bank



Gibb, J. S.....	Imperial Bank of Canada
Gill, Robert .....	Canadian Bank of Commerce
Gillard, J. H.....	Bank of British North America
Gilbert, M. A.....	Imperial Bank of Canada
Gilleland, L. J.....	Traders Bank of Canada
Giroux, C. A.....	Banque d'Hochelaga
Girvan, Samuel.....	Bank of New Brunswick
Glazebrook, A. J.....	Bank of British North America
Glennie, G. G.....	Bank of Nova Scotia
Godfrey, W.....	Bank of British North America
Godwin, C. B.....	Quebec Bank
Gould, R. J.....	Bank of Toronto
Gossip, W. H.....	People's Bank of Halifax
Gower, E. P.....	Canadian Bank of Commerce
Graburn, K. F. A.....	Merchants Bank of Canada
Graham, Percy.....	People's Bank of Halifax
Graham, S. R.....	Molsons Bank
Grant, J. N. S.....	Union Bank of Halifax
Grasett, H. J.....	Canadian Bank of Commerce
Gray, Fred H.....	Standard Bank of Canada
Gray, J. E.....	Standard Bank of Canada
Gray, V. G.....	Bank of British North America
Gray, W. N.....	Merchants Bank of Canada
Greata, J. M.....	Bank of Montreal
Green-Armytage, H. R. G.....	Imperial Bank of Canada
Greenhill, G. V. J.....	Merchants Bank of Canada
Grindlay, Wm.....	Bank of British North America
Grindley, H. S.....	Molsons Bank
Grubbe, R. W.....	Bank of Toronto
Guimond, L. E.....	Banque d'Hochelaga
Guptill, L. H.....	Bank of Nova Scotia
Hague, Frederic .....	Merchants Bank of Canada
Hague, Geo. ....	Merchants Bank of Canada
Hague, Geo. E.....	Merchants Bank of Canada
Hague, Henry.....	Merchants Bank of Canada
Hale, Jeffery .....	Canadian Bank of Commerce
Haliburton, Wm.....	Bank of Nova Scotia
Hall, T. G.....	Bank of British North America
Hamilton, A. L.....	Canadian Bank of Commerce
Hamilton, J. W.....	Bank of British North America
Harcourt, J. L.....	Canadian Bank of Commerce
Harding, H. P.....	Merchants Bank of Canada
Hargreave, W. H.....	Eastern Townships Bank
Harper, C. G.....	Merchants Bank of Canada
Harper, J. F.....	Bank of Hamilton
Harries, H. A.....	Molsons Bank
Harris, C. E.....	Merchants Bank of Halifax
Harrison, R. M. ....	Union Bank of Canada
Harrison, T. S.....	Canadian Bank of Commerce
Harrison, W. H. ....	Halifax Banking Co.
Harshaw, W. B.....	Merchants Bank of Canada
Hart, A. W.....	Molsons Bank
Harvey, H. A.....	Bank of British North America
Harvey, P. G. W. H.....	Bank of Montreal

Harvey, W. C.	Union Bank of Halifax
Hawkins, G. N. C.	Peoples Bank of Halifax
Hay, E.	Imperial Bank of Canada
Hearn, A. R. B.	Imperial Bank of Canada
Heathcote, Bruce	Bank of British Columbia
Hebblewhite, W. A.	Imperial Bank of Canada
Hebden, E. F.	Merchants Bank of Canada
Hegan, C. R.	Bank of Ottawa
Henderson, F. D.	Bank of British North America
Henderson, Joseph	Bank of Toronto
Henderson, J. H.	Union Bank of Canada
Henderson, W. T.	Imperial Bank of Canada
Henwood, H. B.	Bank of Toronto
Hespeler, Jacob	Molsons Bank
Hetherington, James	Eastern Townships Bank
Heward, E. H.	Merchants Bank of Canada
Hill, E. W. R.	Molsons Bank
Hillary, W.	Traders Bank of Canada
Hinds, W. G.	Merchants Bank of Canada
Hirtzel, H. M.	Canadian Bank of Commerce
Hoare, C. S.	Imperial Bank of Canada
Hoare, S. F.	Bank of British North America
Hodder, M. S.	Merchants Bank of Canada
Hodgetts, G. W.	Bank of Toronto
Hodgetts, Thos.	Bank of Toronto
Hogg, A. B.	Bank of Ottawa
Holden, M. E.	Dominion Bank
Holland, G. A.	Canadian Bank of Commerce
Holmested, F. W.	Canadian Bank of Commerce
Holt, Gilbert L.	Bank of British Columbia
Holt, Grange V.	Bank of British Columbia
Holtby, F. B.	Merchants Bank of Canada
Hope, Adam	Canadian Bank of Commerce
Hope, F.	Bank of British North America
Horne, G. H.	Canadian Bank of Commerce
Hornsby, O. H.	Merchants Bank of Halifax
Houseman, J. E.	Molsons Bank
Houston, E. S.	Imperial Bank of Canada
Howard, L. W.	Molsons Bank
Howe, S. J.	Union Bank of Halifax
Hughes, Frank T.	Imperial Bank of Canada
Hunt, W. P.	Bank of Nova Scotia
Hurdon, N. D.	Molsons Bank
Hutcheson, S. M.	Western Bank of Canada
Hutchinson, F. W.	Canadian Bank of Commerce
Imrie, James	Bank of Nova Scotia
Inglis, R.	Bank of British North America
Inglis, John	Merchants Bank of Canada
Innes, Chas. B.	Bank of British Columbia
Ireland, A. H.	Canadian Bank of Commerce
Ireland, A. S.	Bank of British North America
Irvine, J. H.	Bank of Ottawa

Jackson, E. C.....	Traders' Bank of Canada
Jaffray, W. G.....	Imperial Bank of Canada
Jarvis, Arthur S.....	Union Bank of Canada
Jarvis, E. W.....	Bank of Montreal
Jarvis, Gerald.....	Bank of Ottawa
Jemmett, F.....	Merchants Bank of Canada
Jemmett, F. G.....	Canadian Bank of Commerce
Jemmett, H.....	Canadian Bank of Commerce
Jennings, B.....	Imperial Bank of Canada
Jennings, J. B.....	Western Bank of Canada
Jennings, R. C.....	Canadian Bank of Commerce
Johnson, F. W. G.....	Molsons Bank
Johnston, Geo. S.....	Bank of Toronto
Johnston, J. M.....	Quebec Bank
Jones, A. F. H.....	Traders' Bank of Canada
Jones, E. C.....	Bank of Montreal
Jones, H. V. F.....	Canadian Bank of Commerce
Jones, R. L. Y.....	Quebec Bank
Jukes, A.....	Imperial Bank of Canada
Kavanagh, C. R.....	Bank of Ottawa
Keith, J. W.....	Union Bank of Halifax
Keith, W. L.....	Bank of Nova Scotia
Kelly, J. E.....	Merchants Bank of Canada
Kemp, Donald.....	Merchants Bank of Halifax
Kemp, J. C.....	Canadian Bank of Commerce
Kent, R. G.....	Union Bank of Halifax
Kennedy, C. A.....	Bank of Nova Scotia
Kennedy, F.....	Bank of Nova Scotia
Kenny, C. H.....	Bank of Ottawa
Kessen, R. Blakie.....	Bank of Ottawa
Ketchum, C. V.....	Bank of Toronto
Kilgour, W. A.....	Canadian Bank of Commerce
Kilvert, F. E. jr.....	Bank of Hamilton
Kimball, F. E.....	Bank of Toronto
King, W. B.....	Halifax Banking Co.
King, W. C. J.....	Canadian Bank of Commerce
Kingsmill, Wm.....	Bank of Ottawa
Kirkland, Angus.....	Bank of Montreal
Kirkpatrick, G. R. F.....	Imperial Bank of Canada
Kirkpatrick, C.....	Merchants Bank of Canada
Kirkpatrick, W. R.....	Bank of Toronto
Knight, A. S.....	Bank of Nova Scotia
Knight, John.....	People's Bank of Halifax
Kohl, E. F.....	Molsons Bank
Kortright, E. A.....	Bank of Toronto
Kydd, Geo.....	Bank of British North America
Lacoursiere, F. X. O.....	Banque d'Hochelaga
Laframboise, J.....	Eastern Townships Bank
Lafrance, P. G.....	Banque Nationale
Laing, C. L.....	Bank of Hamilton
Laing, R. T.....	Canadian Bank of Commerce
Laird, Alex.....	Canadian Bank of Commerce

Laird, D. R. ....	Bank of Nova Scotia
Lamb, J. R. ....	Bank of Toronto
Lamont, Malcolm .....	Bank of British Columbia
Lane, M. J. ....	Merchants Bank of Halifax
Langmuir, J. A. ....	Imperial Bank of Canada
Larocque, A. A. ....	Banque d'Hochelaga
Latimer, C. R. ....	Bank of Toronto
Latonnell, W. U. ....	Molsons Bank
Lavoie, N. ....	Banque Nationale
Lawson, L. G. B. ....	Bank of Nova Scotia
Lawson, Reginald .....	Bank of Nova Scotia
Lawson, Walter .....	Commercial Bank of Windsor
Lay, Harry M. ....	Canadian Bank of Commerce
Lay, J. M. ....	Imperial Bank of Canada
Leach, Hugh. ....	Bank of Toronto
Leavitt, J. D. ....	Union Bank of Halifax
Ledoux, A. O. ....	Eastern Townships Bank
Leefe, B. W. ....	Canadian Bank of Commerce
Leitch, W. B. ....	Merchants Bank of Canada
Le Mesurier, G. G. ....	Imperial Bank of Canada
Leslie, A. ....	Bank of British North America
Leslie, C. F. ....	Imperial Bank of Canada
Leslie, John .....	Bank of Montreal
Lewer, M. W. ....	Bank of British North America
Lewin, Hon. Senator .....	Bank of New Brunswick
Lewis, C. A. ....	Merchants Bank of Canada
Lewis, J. D. ....	Imperial Bank of Canada
Lightbourn, D. B. ....	Molsons Bank
Lister, F. A. W. ....	Merchants Bank of Canada
Little, J. A. ....	Molsons Bank
Livingstone, N. M. ....	Bank of Hamilton
Lloyd, C. H. ....	Ontario Bank
Lockwood, H. ....	Bank of Montreal
Lockwood, H. ....	Molsons Bank
Lockie, Everard J. ....	Canadian Bank of Commerce
Logan, A. H. ....	Bank of Ottawa
Lombard, J. H. ....	Bank of Nova Scotia
Loosemore, H. H. ....	Standard Bank of Canada
Lyon, R. A. ....	Imperial Bank of Canada
Mabon, E. J. ....	Bank of Nova Scotia
Mabon, S. W. ....	Bank of Nova Scotia
Macbeth, F. ....	Molsons Bank
Macdonald, W. ....	Imperial Bank of Canada
Machaffie, W. A. ....	Merchants Bank of Canada
MacGachen, F. L. ....	Merchants Bank of Canada
MacGillivray, D. ....	Canadian Bank of Commerce
MacGowan, W. J. ....	Merchants Bank of Canada
Mackelvie, N. B. ....	Bank of Nova Scotia
Mackenzie, H. B. ....	Bank of British North America
MacKenzie, J. M. ....	Imperial Bank of Canada
Mackinnon, Jas. ....	Eastern Townships Bank
Mackintosh, A. St. L. ....	Merchants Bank of Canada
Mackintosh, C. D. ....	Canadian Bank of Commerce

Macleod, B. M.....	Bank of Nova Scotia
MacMahon, H. P. ....	Traders Bank of Canada
MacMillan, D. A.....	Merchants Bank of Canada
MacNamara, D. ....	Bank of Ottawa
Macpherson, R. C. ....	Canadian Bank of Commerce
Magee, J. E.....	Merchants Bank of Canada
Mair, Geo.....	Traders Bank of Canada
Manning, C. M.....	Bank of Nova Scotia
Manning, M. J.....	Merchants Bank of Canada
Manson, Wm.....	Canadian Bank of Commerce
Marler, W. L.....	Merchants Bank of Canada
Marsh, F. H.....	Imperial Bank of Canada
Marshall, S. E.....	Commercial Bank of Windsor
Marsland, C. B.....	Molsons Bank
Martin, James .....	Bank of Ottawa
Marquis, H. G.....	Bank of British North America
Massey, W. M. ....	Bank of British North America
Masters, G. A.....	Bank of Nova Scotia
Matheson, Alan F.....	Merchants Bank of Canada
Mathewson, F. H. ....	Canadian Bank of Commerce
Maynard, A. E.....	Canadian Bank of Commerce
Maynard, Wm., jr.....	Canadian Bank of Commerce
Meldrum, G. H.....	Canadian Bank of Commerce
Mellish, A. E. ....	Merchants Bank of Halifax
Merrett, T. E.....	Merchants Bank of Canada
Mickle, A. E.....	Imperial Bank of Canada
Middleton, W. E.....	Ontario Bank
Millar, J. E.....	Canadian Bank of Commerce
Miller, D.....	Merchants Bank of Canada
Minty, F. C. G.....	Canadian Bank of Commerce
Minty, H. J. ....	Canadian Bank of Commerce
Mitchell, W. F.....	Merchants Bank of Halifax
Moffatt, G. G.....	Bank of Nova Scotia
Moffat, W.....	Imperial Bank of Canada
Molson, H. Markland.....	Molsons Bank
Molson, J. D.....	Molsons Bank
Monk, John Benning .....	Bank of Ottawa
Monk, Wm.....	Molsons Bank
Montgomery, R. J.....	Canadian Bank of Commerce
Mooney, B.....	Bank of Nova Scotia
Moore, E. A.....	Bank of Montreal
Moore, W. S.....	Bank of Nova Scotia
More, John C.....	Merchants Bank of Canada
Morden, H. J.....	Standard Bank of Canada
Morehouse, W. E.....	Eastern Townships Bank
Moreau, W. A.....	Banque de St. Hyacinthe
Morey, Samuel F.....	Eastern Townships Bank
Morgan C. G. ....	Merchants Bank of Canada
Morris, H. H.....	Canadian Bank of Commerce
Morris, M.....	Canadian Bank of Commerce
Morris, M.....	Imperial Bank of Canada
Morrison, J. H.....	Halifax Banking Co.
Morrison, J. J. ....	Bank of British North America
Morrison, P. W. ....	Merchants Bank of Halifax

Morrison, R. P.....	Halifax Banking Co.
Morson, W. C. T.....	Canadian Bank of Commerce
Morton, W. D.....	Bank of Toronto
Mowat, John.....	Bank of Nova Scotia
Muckleston, A. J.....	Canadian Bank of Commerce
Muir, J. Gillespie.....	Merchants Bank of Canada
Munro, A. D.....	Bank of Nova Scotia
Munro, Geo.....	Merchants Bank of Canada
Munro, Geo. W. ....	Peoples Bank of Halifax
Munro, John S.....	Bank of British Columbia
Murray, A. S. ....	Exchange Bank of Yarmouth
Murray, F. L.....	Halifax Banking Co.
Murray, J. McM.....	Canadian Bank of Commerce
Murray, William.....	Bank of British Columbia
Mussen, R. T. ....	Canadian Bank of Commerce
McBrine, Jas. H.....	Bank of Toronto
McCaffry, Thos. F.....	Union Bank of Canada
McCord, A. S. ....	Eastern Townships Bank
McCosh, R. G. ....	Canadian Bank of Commerce
McCuaig, C. M.....	Molsons Bank
McCulley, C. C.....	Bank of Nova Scotia
McCurdy, D. A.....	Halifax Banking Co.
McCurdy, E. A.....	Merchants Bank of Halifax
McCurdy, F. B.....	Halifax Banking Co.
McCurdy, J. B.....	Merchants Bank of Halifax
McDonald, Arthur .....	Bank of New Brunswick
McDougall, Allan .....	Quebec Bank
McDougall, F.....	Merchants Bank of Halifax
McDougall, Thomas .....	Quebec Bank
McEwen, A. E.....	Bank of Ottawa
McGill, W.....	Western Bank of Canada
McGregor, D. ....	Canadian Bank of Commerce
McGregor, George C.....	Molsons Bank
McHarrie, R. C.....	Canadian Bank of Commerce
McInnes, D.....	Banque d'Hochelaga
McIsaac, John A.....	Merchants Bank of Halifax
McKane, John.....	Merchants Bank of Halifax
McKee, G. W. ....	Canadian Bank of Commerce
McKeen, John .....	Bank of Nova Scotia
McLaggan, C. E.....	Bank of Nova Scotia
McLean, A. D.....	Merchants Bank of Canada
McLean, A. S. ....	Canadian Bank of Commerce
McLelland, E. J.....	Merchants Bank of Canada
McLennan, D. ....	Canadian Bank of Commerce
McLeod, J. A. ....	Bank of Nova Scotia
McLimont, R. ....	Merchants Bank of Canada
McMahon, C. A.....	Canadian Bank of Commerce
McMahon, J.....	Molsons Bank
McMaster, T. G.....	Canadian Bank of Commerce
McMichael, H. M.....	Bank of British North America
McMurray, L. S.....	Bank of Toronto
McPhail, J. A.....	Imperial Bank of Canada
McRae, A. D.....	Union Bank of Halifax

Naftel, F. J.....	Bank of Montreal
Napier, W. H.....	Molsons Bank
Nay, J. W.....	Canadian Bank of Commerce
Naylor, W. S.....	Molsons Bank
Neeve, C. G.....	Merchants Bank of Canada
Neeve, D. M.....	Union Bank of Canada
Neeve, J. H.....	Bank of Ottawa
Nevill, C. D.....	Bank of British North America
Niblett, E. R.....	Bank of Hamilton
Nichol, John D.....	Bank of Hamilton
Nicoll, J. C.....	Bank of British North America
Noble, C. J.....	Canadian Bank of Commerce
Noel, H. V.....	Quebec Bank
Nowers, W. H.....	Merchants Bank of Canada
Nunns, A. L.....	Imperial Bank of Canada
O'Grady, G. deC.....	Canadian Bank of Commerce
Olivier, E. P.....	Eastern Townships Bank
Oliver, F. G.....	Merchants Bank of Canada
Oliver, W. T.....	Bank of British North America
Ord, A. B.....	Traders Bank of Canada
O'Reilly, H. H.....	Bank of Hamilton
O'Reilly, H. R.....	Canadian Bank of Commerce
Owens, J. R.....	Molsons Bank
Owen, L. C.....	Bank of Ottawa
Paddon, J. A.....	Bank of Montreal
Pambrun, W. H.....	Banque d'Hochelaga
Park, D. R.....	Merchants Bank of Halifax
Parker, E. G.....	Bank of Ottawa
Parker, F. A.....	Merchants Bank of Canada
Parkes, C. M.....	Bank of Toronto
Parkes, T. G. A.....	Merchants Bank of Halifax
Parris, J. R.....	Bank of Ottawa
Pashby, R.....	Bank of Toronto
Patterson, A. B.....	Merchants Bank of Canada
Patterson, C. A.....	Bank of Hamilton
Patterson, E. L. Stewart.....	Eastern Townships Bank
Patterson, J. C.....	Merchants Bank of Canada
Patteson, G. B.....	Molsons Bank
Patton, F. L.....	Union Bank of Canada
Patton, R. C.....	Quebec Bank
Pease, Edson L.....	Merchants Bank of Halifax
Peat, J. B.....	Canadian Bank of Commerce
Pegram, W. H.....	Bank of British Columbia
Peiler, H. L.....	Bank of British North America
Pemberton, G. C. T.....	Canadian Bank of Commerce
Penfold, J.....	Bank British North America
Pennington, Wm. J. G.....	Bank of British North America
Pennock, C. G.....	Bank of Ottawa
People's Bank of New Brunswick...	Fredericton
Peterson, F. J.....	Imperial Bank of Canada
Pethick, H. S.....	Bank of Nova Scotia
Phepoe, T. B.....	Molsons Bank

Philip, W. ....	Imperial Bank of Canada
Phillips, E. S. ....	Merchants Bank of Canada
Phillpotts, W. E. ....	Bank of British North America
Phipps, A. ....	Canadian Bank of Commerce
Piddington, Alfred ....	Quebec Bank
Pinkham, J. ....	Imperial Bank of Canada
Pitblado, J. ....	Bank of Nova Scotia
Pitt, Edward ....	Bank of Montreal
Plummer, J. H. ....	Canadian Bank of Commerce
Plummer, Thos. ....	Bank of Montreal
Polson, Hugh ....	Canadian Bank of Commerce
Pool, John ....	Traders Bank of Canada
Porter, Jas. S. ....	Bank of Toronto
Pottenger, F. W. ....	Merchants Bank of Canada
Pottenger, John ....	Merchants Bank of Canada
Pratt, Edward C. ....	Molsons Bank
Pratt, W. H. ....	Molsons Bank
Prendergast, M. J. A. ....	Banque d'Hochelaga
Price, F. E. ....	Molsons Bank
Pringle, A. D. ....	Merchants Bank of Canada
Pringle, John ....	Bank of Toronto
Pringle, W. ....	Merchants Bank of Canada
Proctor, J. R. ....	Union Bank of Canada
Pugh, Henry J. ....	Union Bank of Canada
Putnam, Arthur G. ....	Merchants Bank of Halifax
Pyke, John G. ....	Canadian Bank of Commerce
Racey, E. F. ....	Bank of British North America
Racey, W. R. ....	Merchants Bank of Halifax
Rae, H. C. ....	Canadian Bank of Commerce
Ramsay, Wm. M. ....	Merchants Bank of Halifax
Ransom, Wm. Bayly ....	Bank of British Columbia
Raymond, S. D. ....	Imperial Bank of Canada
Read, Chas N. ....	Merchants Bank of Canada
Read, Hector ....	Bank of Toronto
Read, L. B. ....	Merchants Bank of Halifax
Reed, E. R. ....	Commercial Bank of Windsor
Reed, R. L. Baynes ....	Molsons Bank
Reeve, R. F. ....	Bank of Montreal
Reid, Geo. P. ....	Standard Bank of Canada
Reynolds, W. P. ....	Molsons Bank
Rice, O. F. ....	Imperial Bank of Canada
Richardson, H. A. ....	Bank of Nova Scotia
Richardson, J. A. ....	Imperial Bank of Canada
Richey, M. S. L. ....	Bank of Montreal
Ridout, A. H. ....	Bank of Hamilton
Ridout, A. W. ....	Canadian Bank of Commerce
Rimington, S B. ....	Molsons Bank
Robarts, A. W. ....	Canadian Bank of Commerce
Roberts, E. C. ....	Imperial Bank of Canada
Roberts, J. P. ....	Bank of British North America
Roberts, Wm. ....	Canadian Bank of Commerce
Robertson, Alex. ....	Bank of British North America
Robertson, A. ....	Bank of Nova Scotia



Robertson, Blair .....	Bank of Nova Scotia
Robertson, D. ....	Bank of British North America
Robertson, David.....	Bank of Ottawa
Robertson, W. J.....	Canadian Bank of Commerce
Robinson, F. M. ....	Bank of Hamilton
Robinson, G. Ludlow .....	Bank of New Brunswick
Robinson, Edwd. N.....	Eastern Townships Bank
Robinson, J. A.....	Merchants Bank of Canada
Robinson, P. C.....	Bank of Nova Scotia
Robinson, R. A.....	Bank of British North America
Robinson, W. H.....	Bank of Nova Scotia
Robinson, Wm. H. ....	Eastern Townships Bank
Ross, R.....	Dominion Bank
Ross, W. D.....	Bank of Nova Scotia
Rothwell, H. L.....	Canadian Bank of Commerce
Rowe, A. C. ....	Bank of British North America
Rowley, A. H. ....	Bank of Nova Scotia
Rowley, C. W. ....	Canadian Bank of Commerce
Rowley, H. H.....	Bank of British North America
Rowley, O. R.....	Bank of British North America
Rudderham, H. E.....	Peoples Bank of Halifax
Rumsey, C. S.....	Traders Bank of Canada
Rumsey, Reginald A. ....	Canadian Bank of Commerce
Russell, J. A.....	Halifax Banking Co.
Rutherford, Jas. McG.....	Merchants Bank of Halifax
Sanson, D. M. ....	Canadian Bank of Commerce
Saunders, E. M.....	Canadian Bank of Commerce
Schofield, Geo. A.....	Bank of New Brunswick
Scholfield, G. P. ....	Standard Bank of Canada
Scott, Robert C.....	Merchants Bank of Canada
Scott, T. O. ....	Merchants Bank of Canada
Scott, W. B. ....	Merchants Bank of Canada
Secord, H. C.....	Imperial Bank of Canada
Secord, H. C.....	Canadian Bank of Commerce
Sewell, H. F. D. ....	Bank of British Columbia
Shannon, E. G.....	Halifax Banking Co.
Shaw, G. H. ....	Quebec Bank
Shaw, Robert .....	Merchants Bank of Canada
Shepherd, D.....	Molsons Bank
Sherman, F. J.....	Merchants Bank of Halifax
Short, F. T.....	Bank of British North America
Simpson, C. E. St. C.....	Canadian Bank of Commerce
Simpson, D.....	Bank of British North America
Simpson, Douglas .....	Canadian Bank of Commerce
Skeaff, Jno. Stewart.....	Bank of Toronto
Skelton, Arthur C.....	Bank of British North America
Skey, A. H.....	Bank of Hamilton
Skey, Wm. Russel .....	Molsons Bank
Sloane, W. P.....	Quebec Bank
Smith, Arthur G.....	Union Bank of Canada
Smith, A. M. ....	Merchants Bank of Canada
Smith, Chas. C.....	Quebec Bank
Smith, Chas. Graham.....	Eastern Townships Bank

Smith, Hon. Sir Donald A. ....	85 St. Peter Street, Montreal
Smith, Edward F. ....	Merchants Bank of Halifax
Smith, Fred W. ....	Union Bank of Canada
Smith, J. E. ....	Union Bank of Halifax
Smith, Lyndon ....	Merchants Bank of Canada
Smith, Wm. ....	Merchants Bank of Canada
Smith, W. H. ....	Ontario Bank
Smith, W. Thomson ....	Traders Bank of Canada
Smythe, J. W. H. ....	Canadian Bank of Commerce
Snyder, L. P. ....	Traders Bank of Canada
Soutar, Fred. ....	Bank of British Columbia
Spencer, W. A. ....	Merchants Bank of Halifax
Spier, Wm. ....	Eastern Townships Bank
Spink, G. A. ....	Merchants Bank of Halifax
Sproat, Jno. ....	Bank of Hamilton
Spurden, J. W. ....	People's Bank of New Brunswick
Standly, P. ....	Imperial Bank of Canada
Stanger, E. ....	Bank of British North America
Stavert, W. E. ....	Bank of Nova Scotia
Steele, E. K. ....	Imperial Bank of Canada
Steeves, A. A. ....	Merchants Bank of Halifax
Stephens, W. S. ....	Molsons Bank
Sterns, G. W. ....	Halifax Banking Co.
Steven, H. S. ....	Bank of Hamilton
Stevenson, H. H. ....	Molsons Bank
Stevenson, P. C. ....	Canadian Bank of Commerce
Stewart, D. M. ....	Canadian Bank of Commerce
Stewart, J. A. ....	Standard Bank of Canada
Stewart, J. P. L. ....	Halifax Banking Co.
Stewart, Malcolm. ....	Bank of British Columbia
Stewart, W. J. ....	Standard Bank of Canada
St. Mars, H. ....	Banque du Peuple
Stidston, J. H. ....	Imperial Bank of Canada
Stikeman, H. ....	Bank of British North America
Stork, C. M. ....	Canadian Bank of Commerce
Stow, H. F. ....	Bank of British North America
Strachan, James ....	Canadian Bank of Commerce
Strathy, Frank W. ....	Union Bank of Canada
Strathy, H. S. ....	Traders' Bank of Canada
Strathy, Stuart. ....	Traders Bank of Canada
Strickland, C. N. S. ....	Union Bank of Halifax
Strong, F. W. ....	Merchants Bank of Canada
Stuart, J. H. ....	Bank of Hamilton
Swaissland, G. W. ....	Molsons Bank
Swan, H. ....	Bank of Ottawa
Swinford, A. ....	Bank of Ottawa
Sylvestre, C. A. ....	Banque d'Hochelaga
Taillon, A. A. ....	Banque Nationale
Tapper, W. H. ....	Bank of Nova Scotia
Tate, J. M. ....	Canadian Bank of Commerce
Tate, L. E. ....	Molsons Bank
Taylor, F. W. ....	Bank of Montreal
Taylor, Geo. A. ....	Merchants Bank of Halifax

Taylor, J. ....	Bank of British North America
Taylor, Jas. G. ....	Halifax Banking Co.
Taylor, R. F. ....	Merchants Bank of Canada
Taylor, W. H. Norton .....	Bank of Montreal
Thomas, F. Wolferstan .....	Molsons Bank
Thomas, R. Wolferstan .....	Bank of British North America
Thompson, L. P. ....	Merchants Bank of Canada
Thomson, A. A. ....	Bank of Nova Scotia
Thomson, A. H. ....	Canadian Bank of Commerce
Thomson, G. A. ....	Halifax Banking Co.
Thomson, H. A. ....	Molsons Bank
Thomson, W. H. ....	Imperial Bank of Canada
Thornton, A. S. ....	Canadian Bank of Commerce
Thorne, E. L. ....	Union Bank of Halifax
Tofield, H. A. ....	Merchants Bank of Canada
Torrance, W. B. ....	Merchants Bank of Halifax
Townshend, A. S. ....	Halifax Banking Co.
Trainor, John .....	Merchants Bank of Halifax
Travers, W. R. ....	Merchants Bank of Canada
Trepanier, J. ....	Banque d'Hochelaga
Trigge, A. St L. ....	Canadian Bank of Commerce
Tupper, W. S. ....	Merchants Bank of Halifax
Turnbull, J. ....	Bank of Hamilton
Turnbull, T. M. ....	Canadian Bank of Commerce
Van Dusen, F. E. ....	Molsons Bank
Van Felson, A. B. ....	Quebec Bank
Veasey, G. ....	Union Bank of Canada
Vibert, Philip .....	Union Bank of Canada
Wadsworth, W. R. ....	Bank of Toronto
Wainwright, J. R. ....	Molsons Bank
Wainwright, G. C. ....	Bank of Ottawa
Walcot, C. W. ....	Merchants Bank of Canada
Walker, H. B. ....	Canadian Bank of Commerce
Walker, J. ....	Quebec Bank
Walker, B. E. ....	Canadian Bank of Commerce
Wallace, H. N. ....	Halifax Banking Co.
Wallace, Jas. B. ....	Merchants Bank of Canada
Wallace, Wm. ....	Molsons Bank
Wallace, R. G. ....	Bank of Nova Scotia
Wallace, W. J. ....	Bank of Montreal
Wallace, W. S. ....	Bank of Hamilton
Wallace, R. R. ....	Bank of Montreal
Walsh, Ed. ....	Merchants Bank of Halifax
Wanzer, H. P. ....	Bank of Hamilton
Ward, E. E. ....	Molsons Bank
Ward, Frank B. ....	Bank of British Columbia
Ward, W. C. ....	Bank of British Columbia
Warden, W. M. ....	Bank of Toronto
Waterbury, W. B. ....	Merchants Bank of Canada
Waters, D. ....	Bank of Nova Scotia
Watson, Jas. ....	Union Bank of Canada
Watson, H. M. ....	Bank of Hamilton

Watson, Jas.....	Traders Bank of Canada
Watson, W. W.....	Bank of Nova Scotia
Watt, G. D.....	Bank of British North America
Waud, E. W.....	Molsons Bank
Waud, B. H.....	Molsons Bank
Webb, E. E.....	Union Bank of Canada
Webbe, R. J. M. ....	Molsons Bank
Wedd, G. M.....	Canadian Bank of Commerce
Wedd, L. E.....	Bank of Hamilton
Weelands, E.....	Molsons Bank
Weir, W. A. ....	Imperial Bank of Canada
Weir, W. ....	Banque Ville-Marie
Wemyss, J. M. ....	Imperial Bank of Canada
West, S. J... ..	Merchants Bank of Canada
Wethey, C. H.....	Imperial Bank of Canada
Wetmore, V.....	Union Bank of Canada
Whelan, Chas. P.....	Dominion Bank
White, Chas.....	Imperial Bank of Canada
White, G. A. ....	People's Bank of Halifax
Whitely, A. L.....	Imperial Bank of Canada
Wickson, Arthur .....	Merchants Bank of Canada
Wilkie, D. R.....	Imperial Bank of Canada
Williams, A. E.....	Bank of Nova Scotia
Williams, H. F.....	Eastern Townships Bank
Williams, O. H. ....	Bank of British North America
Williams, R. S.....	Canadian Bank of Commerce
Williams, Thos.....	Bank of Toronto
Willis, J. M. ....	Ontario Bank
Willmott, J. S. ....	Merchants Bank of Canada
Wilson, Alex.....	Bank of Nova Scotia
Wilson, Geo. ....	Imperial Bank of Canada
Wilson, G. M. ....	Merchants Bank of Canada
Wilson, H. B. ....	Molsons Bank
Wilson, J. H.....	Imperial Bank of Canada
Winlow, F. J.....	Traders Bank of Canada
Winslow, E. P.....	Bank of Montreal
Winslow, F. E.....	Bank of Montreal
Winter, G. H. ....	Bank of British North America
Wood, H. H.....	Imperial Bank of Canada
Wood, J. W. H. ....	Canadian Bank of Commerce
Woodill, R. A. ....	People's Bank of Halifax
Woollcombe, F.....	Union Bank of Canada
Worthington, H. S.....	Molsons Bank
Wrenshall, C. M.....	Merchants Bank of Canada
Wright, R. C.....	Union Bank of Halifax
Würtele, Carl F. ....	Quebec Bank
Würtele, H. N.....	Merchants Bank of Canada
Wyld, O. A. ....	Bank of British Columbia
Yarwood, C. St. G. ....	Canadian Bank of Commerce
Yeo, Lowman .....	Bank of Nova Scotia
Young, J. E. ....	Imperial Bank of Canada
Young, W. C. ....	Merchants Bank of Canada



